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ABSTRACT

This document reports the oral and written testimony of witnesses at a Congressional hearing held to examine ways to use the abilities of the rapidly growing older population, particularly in professions such as child care where they have the potential of making an important contribution to the education and care of the children of the United States. Witnesses included members of Congress, officials of the U.S. Department of Labor and the Social Security Administration, officials of the National Council on Aging, the mayor of Union City (New Jersey), a project director of a day care program in New Jersey, the director of the New Jersey Department of Senior Employment Services, and the public affairs director of the National Association for the Education of Young Children. The witnesses testified about proposed legislation that would exempt child care earnings from the Social Security earnings test so that more older adults would be willing to be employed as child caregivers. The witnesses favored doing away with the earnings test entirely, since it usually is a disincentive for older Americans to work. They also wanted Job Training Partnership Act provisions changed so that older persons could be trained for child care, as is being done by the New Jersey project, without being required to work full time, which many older people do not want. Reports included in the transcript point to the need to reconsider older adults and their training and employment needs as well as the work force needs of the country. (KC)

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BETTER UTILIZING AN OLDER WORKFORCE: A FOCUS ON INTERGENERATIONAL DAY CARE

ED324482

HEARING

BEFORE THE

SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT

OF THE

SELECT COMMITTEE ON AGING
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

SEPTEMBER 13, 1989

Comm. Pub. No. 101-739

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BETTER UTILIZING AN OLDER WORKFORCE: A FOCUS ON INTERGENERATIONAL DAY CARE

WEDNESDAY, SEPTEMBER 13, 1989

U.S. HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON AGING,
SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT,
Washington, DC

The subcommittee met, pursuant to notice, at 1:30 p.m., room 2318, Rayburn House Office Building, Hon. William J. Hughes (chairman of the subcommittee) presiding.

Members present: Representatives Hughes, Stallings, Hertel, Jontz, Pallone, Tauke, Ridge, Meyers, Schuette, and Stearns.

Staff present: Brian Lutz, Staff Director; Amy Melnick, Research Assistant; Ann O'Donnell, Minority Staff Director.

OPENING STATEMENT OF CHAIRMAN WILLIAM J. HUGHES

Mr. HUGHES. The House Select Committee on Aging will come to order.

First, let me apologize for the delay, but we just finished, over at the Capitol, under the Rotunda, a memorial service for our late colleague and good friend, Mickey Leland, who was, as you know, killed in a plane crash in Ethiopia just a few weeks ago. We delayed the hearing in order to see that that memorial service was completed before we went and took any business in the House, so we appreciate your bearing with us.

The committee has received a request to cover this hearing in part by television broadcast, other print media, and by still photography. In accordance with Rule 5A, permission will be granted unless there is objection.

Is there objection?

[No response.]

Hearing none, it will be so ordered.

First, let me just say that I am very, very happy to assume the acting chairmanship of this very important subcommittee, and to have the opportunity to work with my colleagues, particularly the ranking Republican, Tom Tauke. We are going to see if we cannot make this an interesting and a very productive subcommittee for the balance of this year.

The purpose of today's hearing is to examine ways to better utilize the abilities of our rapidly growing older population, particularly professions such as child care where they have the potential of making such an important contribution to the education and care of our children.

Over the past few Congresses a variety of federal legislation has been passed to allow and encourage workers to extend their work lives, yet an increasing number of Americans are leaving their jobs at an earlier age. Two-thirds of all retired workers leave the labor force before age 65. The medium retirement age is now about 61. The net result of this trend is that a growing number of Americans are spending a much greater proportion of their adult lives outside the work force. This is extremely unfortunate because our older population has so much to offer. They possess great qualities, skills, and experience which will be needed if the nation is to compete effectively in today's global economy.

The subcommittee is interested in learning to what extent this early departure from the labor force is due to public and private retirement policies, and what strategies might be used to encourage more older Americans to remain productive.

For instance, many senior citizens indicate that the Social Security earnings test is a serious disincentive to remaining in the work force. Presently workers aged 65 to 69 who earn more than $8,800 a year lose $1 in Social Security benefits for every $2 they earn above that limit. While the earnings test will change next year so that older Americans will lose $1 in Social Security for every $3 they earn above the limit, any loss in benefits has a serious impact on the job status of many older Americans.

That is why I have joined with my colleague, Tom Tauke, ranking Republican of the Subcommittee, in introducing legislation H.R. 3079, which exempts child care earnings from the Social Security earnings test for workers aged 65 and above.

I believe the knowledge and experience our senior citizen population would bring to child care settings can greatly benefit our young, help our growing labor market shortage, and provide a needed income and rewarding job experiences for older Americans.

It is my hope that today's testimony will provide the Congress with guidance on this legislation, as well as other suggestions for encouraging more older Americans to remain productive.

We are fortunate to have with us today two very distinguished panels of witnesses who can provide us with important details on these and other issues.

The first panel will provide us with a national perspective on the labor market problems and characteristics of older Americans, the nature of federal employment programs and the role of public and private sector policies in shaping retirement decisions.

The second panel will focus more specifically on the concept of older workers being encouraged and trained to provide child care services. I am particularly pleased to welcome our distinguished witnesses from my home state of New Jersey who will describe one of the unique model programs in the country which trains older workers to provide child care services. This program has had remarkable success in producing well-qualified older child care providers. I would be very interested to learn how these successes might be duplicated throughout other parts of the country.

I welcome you here today, and at this time I recognize the ranking Republican, Mr. Tauke.

STATEMENT OF REPRESENTATIVE THOMAS J. TAUKE

Mr. TAUKE. Thank you very much, Mr. Chairman.

Mr. Chairman, I first of all want to commend you for calling this hearing.

Second, I want to express my gratitude to you for your openness as we have begun to restructure this subcommittee under your leadership, and I certainly look forward to working with you on the issues affecting older workers and retirees.

Mr. Chairman, I have a written statement that I would like to submit for the record, and I ask unanimous consent that I be able to do so.

Mr. HUGHES. Without objection.

Mr. TAUKE. Thank you, Mr. Chairman.

Mr. Chairman, about 2 years and 10 months ago my wife and I had our first child, and it is a major change, of course, in the lives of everyone when you have a new child. One of the things that we discovered is that we had to begin to encounter the wonderful world of child care. And we were very fortunate to find a woman who was from my home state of Iowa who had come to Washington, DC, after retiring from John Deere out in Iowa, and she was available and interested in coming to our home periodically and taking care of our son. it is a wonderful arrangement for him and for her and for us.

But there is a problem. When we pay Eleanor a dollar, fifty cents is lost in Social Security benefits. On top of this she has to pay Social Security tax. She has to pay income taxes. She has to pay taxes to the State of Virginia. Then, of course, we have to pay payroll taxes for Eleanor. The bottom line is that for every dollar we spend, she gets about five or six cents; for every dollar she receives she gets about seven cents. The government gets the rest.

This does not provide much incentive for Eleanor to provide child care for our son. Now, if I were not a member of Congress perhaps I would be inclined to say, "Eleanor, let us have weekly gifts rather than have you provide services for which we pay." But, of course, the reality is that if we are to follow the law, as we expect all good citizens to do, we find that workers are discouraged from entering the work force. Older workers are discouraged from entering the work force, and they are penalized greatly through the tax system, through the Social Security earning limitations and by current public policies.

Obviously the demographics of the work force are going to change a lot over the next decade. We expect that the work force is going to be getting a lot older. At the same time, we anticipate that there is going to be a demand for more workers in the work force. We find from survey information that a lot of older workers want to remain on the job, and they would like to have some choices about whether or not they should retire, or perhaps, seek employment upon retirement in a field that is different from their main career in their lives.

I think that it is very appropriate that we spend some time examining our employment and retirement policies. I am hopeful that during the course of this hearing, and others that we may have in this subcommittee, that we will be able to find or encourage policies that will promote flexibility in the workplace, that will accommodate older workers, and that we will provide assistance through the JTPA and Title 5 to provide adequate educational and training opportunities to older workers. I hope we can work on policies that will insure that adequate education and training opportunities are available to workers who have special needs in order to fill a slot in the work force.

And, of course, I think it is worthwhile for us to look at policies that will actually encourage older workers to remain in the work force.

As you alluded to in your statement, Mr. Chairman, we do have a major problem that needs to be looked at, and that is the Social Security earnings test. I strongly support eliminating the earnings limitation, and I am pleased to join with you in taking a first step toward that goal by eliminating the earnings test for child care earnings, something which would help Eleanor and Tom and Beverly Tauke.

Chairman Hughes and I have introduced legislation that would encourage Americans to provide child care, those in many instances who are most skilled at doing so, and would ease the demand for child care workers. It also, of course, would provide a tremendous opportunity for many seniors to engage in activities of which they want to be a part.

I look forward, Mr. Chairman, to hearing the testimony of the witnesses.

[The prepared statement of Mr. Tauke follows:]

OPENING STATEMENT
THE HONORABLE TOM TAUKE
HEARING OF THE SELECT COMMITTEE ON AGING
SUBCOMMITTEE ON RETIREMENT INCOME & EMPLOYMENT
"BETTER UTILIZING AN OLDER WORK FORCE"
SEPTEMBER 13, 1989

I am pleased to join our new subcommittee chairman, Bill Hughes of New Jersey at this hearing to discuss labor force participation and retirement trends of older workers. I share many of the chairman's concerns regarding older workers and retirees and look forward to the testimony that the subcommittee will receive today.

In the background materials for this hearing, older worker is defined as a worker aged 55 or older. Some employment programs define older worker as a worker age 45 or older. Early retirement, as defined under the Social Security Act is 62 years of age. In the private sector, early retirement options are generally presented to those age 50 or older. Many early retirees re-enter the workforce and take on new opportunities. On the one hand, I ask, what is old? Who should we target when we speak of older workers? On the other hand, what is retirement? I believe that this question, in particular, is important to discuss in terms of both future employment policies and benefits policies.

Today, the average retirement age is about 57. Thus, with average life expectancy ever-increasing, the average retiree can anticipate many years of the "good life." Throughout this century, the relative importance of earnings in retirement has declined considerably. In fact, Social Security, pension income and savings represent about two-thirds of retirement income. Many retirees want to return to work after a few years of the "good life." Given the demographic projections over the next twenty years, this trend will be significant.

Additionally, I am concerned about policies affecting displaced older workers: older workers who involuntarily retire. Many older workers, primarily from the manufacturing sector and through down-sizing initiatives, have lost jobs and have found the job search exceedingly difficult. Older workers have found that the native language in the workplace of 1989 is computer-eze. Many older workers need assistance to re-enter the technologically advanced employment mainstream.

This trend underscores the importance of public and private sector involvement in education and training programs. While the Job Training Partnership Act has provided key assistance to displaced, older workers, the public and private sectors can do more. Clearly, both the public and private sectors benefit from providing older workers with new skills for employment: the public sector benefits by increased productivity while the private sector gains by utilizing experienced, productive, committed older workers.

As we will hear today, older workers and retirees are increasingly the target of day care providers' employment searches. I commend our witnesses not only for establishing a meaningful link between senior citizens and children. After reviewing information on these recruitment efforts, I thought, what a logical source for day care workers?!

I also serve as the ranking Republican on the Subcommittee on Human Resources, the subcommittee with jurisdiction over many programs affecting the elderly and children, and have had the opportunity to work on developing alternatives for child care policy. I believe that the New Jersey programs that we will learn about today are models for other communities to examine.

In an effort to further encourage retirees to become child care providers, I have joined Chairman Hughes in introducing legislation, H.R. 3079, to exempt child care earnings from the Social Security earnings limitation. While I unequivocally support repeal of the earnings limitation for all retired workers, I believe that this measure sends an important message to retirees who want to continue to work -- we have an important job for you to consider.

Frequently, news items highlight the future demographics of our labor force. We have heard about the impact of the aging of the "baby-boom" generation on various employment and economic policy considerations. This hearing provides an important forum in which to discuss the changing needs of a key component of our labor force -- older, experienced workers.

Mr. Hughes. I thank the gentleman. Does the gentlelady from Kansas wish to make a statement?

STATEMENT OF REPRESENTATIVE JAN MEYERS

Ms. Meyers. Very briefly, Mr. Chairman. I would like to commend you also, and to commend you and Mr. Tauke for introducing this legislation of which I am a co-sponsor. I have to leave the hearing early because I have another committee meeting that has a mark-up going on, but I will be very attentive to the testimony.

I would like to request before I leave, if you do not think it would burden your piece of legislation too much, that you extend this exemption. I, of course, favor doing away with the earnings test entirely, but I would like to extend the exemption to elder care. Within the last 10 years my experience has been that my parents were healthy, mobile, but frail. We needed people to stay with them at night, and we had people with them around the clock, as a matter of fact.

If someone aged 65 to 69 did not feel that they were physically strong enough in some cases to bear the burden of daytime stay with my parents, we did have several people who felt that they could stay with them at night, or during quiet times during the time, or to do food shopping while another stayed with them. However, because of the earnings test, and the difficulties that were outlined by Mr. Tauke, we had a hard time. I think there are so many things that people 65 to 69 can do if we would better encourage them.

I thank you for your legislation, and I do look forward to the testimony. If I cannot listen to it, I will read it. I thank you very much.

Mr. Hughes. Thank you, gentlelady. The gentleman from Florida?

STATEMENT OF REPRESENTATIVE CLIFF STEARNS

Mr. Stearns. Thank you, Mr. Chairman. I also want to commend you for these hearings, and to take the first step in repealing a portion of this Social Security earnings test.

I share with my colleagues here the problem. I am, of course, from central Florida, where the average age in my district is over 55, and many of the businesses down there are service-oriented. I hear the general complaints that my colleagues have spoken about, but also the complaints center on the individuals who go into the work force and work until May or June in motels, in restaurants, in service-related businesses in Florida, and then they quit. They spend the rest of the year trying to seek money and lots of times they take the approach that they want somebody to pay them in cash. If they decide not to work then they come back the following year and in many cases it is new jobs where they are retrained. So I hear from employers down in my state the complaint that "why can't we repeal the earnings test?"

I think the hearings we are having here today dealing with child care are important, and I commend you for that, and I hope that we can move to a broader scope on this and hear the panelists today to confirm some of the things we have talked about.

Thank you, Mr. Chairman.

Mr. HUGHES. At this time, I would like to introduce in the record the statements of Representatives Thomas J. Downey, Jerry Costello, and Jim Courter. Is there any objection?

Hearing none, it will be so ordered.

[The prepared statements of Representatives Downey, Costello and Courter follow:]

STATEMENT OF THE HON. THOMAS J. DOWNEY
AT HEARING ON
"BETTER UTILIZING AN OLDER WORKFORCE: A FOCUS ON PROVIDING
INTERGENERATIONAL CHILD CARE"
Wednesday, September 13, 1989
1:30 p.m., 2318 RHOB

I am pleased to be here this afternoon to welcome our witnesses, and I would like to commend Chairman Hughes for calling this hearing. The topic of utilizing an older workforce and focusing on intergenerational child care is a timely one and one that has been of great interest to me for some time.

On August 2, 1987, the Subcommittee on Human Services held a hearing entitled, "Future Directions of Title V: Community Servuce Employment for Older Americans." That hearing had as its focus the future of Title V of the Older Americans Act, and specifically, the exploration of opportunities for expanded intergenerational activities within the Title V program. Today's hearing serves as an excellent reaffirmation of commitment to the combined talents and needs of the elderly as well as our nation's young people. I am pleased that the number of older workers is continuing to climb successfully to the great benefit of our Nation's children.

The witnesses testifying today bring with them a wealth of information on the status, needs and concerns of the older worker, and I am pleased to once again see Dana Berry who will update us on the progress of the Union City Day Care Center, which two years ago was serving as a model program which trains older workers to provide child care services, and which obviously is flourishing since she last testified before us.

In my dual responsibility as the Chairman of the Subcommittee on Human Services and as the Chairman of the Subcommittee on Human Resources of the Ways and Means Committee, I am very intrigued by the idea of intergenerational programs. These programs grow from a mutual need, and the combination of a senior and a child working side by side brings a variety of rewards and satisfaction, ranging from the affection a child gives to a lonely older person to the financial rewards gained from providing child care. The ever-rising costs of child care are forcing single and working parents to cope with finding proper and adequate child care for their children. The child care industry a few years back began to look to older people as a labor resource to help offset the constantly rising costs of child care. According to the 1980 census, individuals over the age of 55 account for 25 percent of the Nation's workers in family day care and 7 percent of pre-school teachers.

As the Chairman of the Ways and Means Committee's Subcommittee on Human Resources, I am very proud of language I recently introduced into the Budget Reconciliation Act which will provide funding for 10 demonstration projects across the Nation to utilize volunteer senior aides in providing basic medical assistance and support to families with moderately or severely disabled or chronically ill children.

These projects, part of the National Council on Aging's Family Friends Program, would bring older adults into homes of children with handicaps and chronic illnesses to offer assistance, support and friendship. This is an example of an intergenerational program that joins the needs of many for the benefit of all.

As the Chairman of the House Aging Committee's Subcommittee on Human Services, I am pleased that Title V of the Older Americans Act has received an authorization from the House Appropriations Committee of $354 million for FY 90, an increase of $10.2 million over the FY 89 level. The Committee, by approving this increase, reaffirms its support for this effective program and encourages efforts aimed at expanded programs for seniors.

In July of 1988, a summary was provided to me by the Department of Employment and Training Administration of the Department of Labor which gave some preliminary data on the estimated number of Title V participants enrolled in child care activities, job corps centers, literacy and other activities during 1988. The total estimated number of participants at that time was 5,772, which was 9% of all Title V activities. I look forward to learning from our witnesses today what the status of that number is today, and what is being planned to better utilize our Nation's seniors in fields like child care.

Next year, we will be celebrating the silver anniversary of the Older Americans Act. This Act has been providing needed support services to very special seniors for 25 years. It is only right that we focus our attention on those seniors and the special contributions they can make to our Nation and to our Nation's workforce.

OPENING STATEMENT
BY U.S. REP. JERRY COSTELLO, ILLINOIS
SELECT COMMITTEE ON AGING
SEPTEMBER 13, 1989
"Better Utilizing the Older Workforce"

Mr. Chairman, over 65,000 senior citizens live in my congressional district, and they share the same concern that faces every American family: having enough income to live well in their older years.

Older workers could play a special role in the American workforce. To every job, older Americans bring a special perspective: work experience, a serious work ethic, and an independence that will well suit many employers.

This hearing will focus on how to better utilize older workers to make our economy stronger and improve living situations and income generation for our seniors. I look forward to hearing from today's witnesses.

JIM COURTER
NEW JERSEY

COMMITTEES
ARMED SERVICES
SELECT COMMITTEE ON AGING

Congress of the United States
House of Representatives
Washington, DC 20515

STATEMENT BY REPRESENTATIVE JIM COURTER
AT THE HEARING OF THE SELECT COMMITTEE ON AGING
SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT

"BETTER UTILIZING AN OLDER WORKFORCE:
FOCUS ON INTERGENERATIONAL DAY CARE"
SEPTEMBER 13, 1989

I am very pleased that the Select Committee on Aging Subcommittee on Retirement Income and Employment is holding this hearing today to address two critical issues facing the nation: the senior citizen workforce and daycare.

In January, I held a hearing in my home state of New Jersey to discuss ways to bring senior citizens into the workforce. This is a very timely issue in New Jersey because of the serious labor shortage. Yet at the same time New Jersey is trying to meet the labor needs of businesses, there is a substantial pool of labor, comprised of senior citizens, that remains largely untapped.

At the same time, the nation is facing another problem -- the shortage of qualified, experienced day care providers. We all know that there has been a revolution in the American work force. Millions of women have entered the labor market in recent years, and they now hold almost half the jobs in our nation. While the entrance of women into the business world is good news for the nation, many women will not be able to work without increased daycare opportunities.

There is an important way that the federal government can increase the pool of qualified day care providers while at the same time encourage experienced senior citizens to reenter the workforce, and that is through reforming the Social Security retirement earnings test. Social Security currently reduces benefits to retirees under the age of 70 by one dollar for every two dollars in earnings above an annual ceiling. This year, the exempt amount for recipients under 65 is only $6,480, and beneficiaries aged 65 to 69 will be able to earn only $8,880 without benefit reductions. This policy is completely incompatible with the old-fashioned American work ethic, since it penalizes senior citizens who possess the skills and experience that would allow them to make significant contributions to the nation.

Let me state that I would prefer a complete repeal of this penalty because it limits older Americans' freedom to work, encourages workers to join the underground economy, and is an administrative burden for Social Security. Instead of encouraging older Americans to be as productive as they can or as they want, the earnings penalty sends the opposite message: that their efforts are unneeded and any attempts to contribute to society will be met with a 50 percent cut in benefits. I have long supported legislation to repeal this earnings test.

I am aware, however, that there are those who oppose repealing the earnings test, and this has stalled legislative efforts to correct this flawed policy once and for all. While I strongly disagree with that view, I believe that it might be possible in the short-term to modify the earnings test to target alleviating the current day care crisis.

I have cosponsored legislation introduced by my colleague from New Jersey, Mr. Hughes, to exempt child care earnings from the Social Security earnings test for workers aged 65 and older. I believe that this measure will encourage more senior citizens to provide child care services, which will be good for the older workers, good for the parents who will be able to find quality child care, and most importantly, good for the children, who will benefit from years of experience.

Mr. HUGHES. Thank you very much. We have two very distinguished panels. Panel 1 consists of Carolyn Golding, who is a Deputy Assistant Secretary for Employment Programs with the United States Department of Labor; Louis Enoff, who is the Deputy Commissioner for Programs, Social Security Administration; and Daniel Schulder, Director of Public Policy, National Council on the Aging.

We welcome you here today. We have your statements, which we have read, and will be made a part of the record in full without objection, and we hope you can summarize for us so we can get right to the questioning.

Why do we not begin with you, Ms. Golding. Welcome. But before we begin, let me introduce for the record the paper Background Information on Older Workers: Demographic Profile, Labor Market Characteristics, Participation in Federal Employment Programs, and Involvement in Providing Child Care.

BACKGROUND INFORMATION ON OLDER WORKERS: DEMOGRAPHIC PROFILE, LABOR MARKET CHARACTERISTICS, PARTICIPATION IN FEDERAL EMPLOYMENT PROGRAMS, AND INVOLVEMENT IN PROVIDING CHILD CARE

For A Hearing Before

The Subcommittee on Retirement Income & Employment
House Select Committee on Aging

"BETTER UTILIZING AN OLDER WORKFORCE:
A FOCUS ON PROVIDING INTERGENERATIONAL CHILD CARE"

Wednesday, September 13, 1989
1:30 p.m.
2318 Rayburn HOB

William J. Hughes, Chairman

"Older Workers" Defined

No one single definition clearly describes "older workers" - it is a relative term which can vary greatly depending on the context in which it's being used. For instance, it is sometimes used to describe individuals in their 40's who seek additional training so they may remain productive by keeping pace with changing technologies. Or it could refer to someone in their 50's who attempts to overcome age stereotyping in training programs or job opportunities. Or it may be used to describe someone in their 60's or beyond who seeks flexible alternatives to the existing job structure so that they may continue working beyond the company's "normal" retirement age.

In the context of this hearing, the "older worker" definition will focus primarily on the category of workers who are eligible to participate in the Federal government's older worker employment programs within the Job Training Partnership Act and the Senior Community Service Employment Program - age 55 and above.

Demographic Portrait of Older Workers

While a variety of Federal legislation has been passed in recent years to allow or encourage workers to extend their worklives, an increasing number of individuals are leaving their jobs at an earlier age. Many employers have made earlier and earlier retirement possible through options offered in their pension plans. The net result is that labor force participation rates for older workers have been falling, and these rates are expected to continue to fall. A growing number of Americans are spending a much greater proportion of their adult lives outside the workforce. The trend towards earlier retirement has raised questions about the impact of current public and private workforce policies on older workers and the Nation's productivity.

0 Since 1960, the participation rates for workers aged 55-64 dropped from 87% to around 70% today.

0 The median retirement age in 1980 was age 61, with two-thirds of the workers having retired before age 65. Projections for the year 2000 by the Department of Labor show a continuation of this trend.

0 Although males spend on average seven more years in the labor force in 1980 than they did at the turn of the century, their working lives account for a smaller proportion of their lifespan (around 55%) than in 1900 when males spent 69% of their lives working. For women, since 1900 the average number of years spent in the labor force increased from 6.3 to 30 years today, and from 13% of their lifespan to 38%.

0 Despite stereotypes to the contrary, numerous studies reveal that older workers are more dependable, stay at their jobs longer, are able to learn new tasks just as quickly, and do as much work of similar or superior quality as younger workers. Older workers have better attendance records than younger workers and a lower accident rate, even when the older worker has no more experience on the job than the younger worker.

0 As workers grow older, the occupations in which they are employed change somewhat from those they occupied during their youth, particularly for workers 65 and over. Workers 65 and over tend to be in occupations that require more seniority or experience, or those which allow for flexible schedules or part-time work. For older workers (all races), service occupations represent a larger share of total employment for those 65 and over compared to all workers.

- Certain groups of older workers, such as women and minorities, tend to experience particular difficulties trying to re-enter the labor force due to past work histories, stereotypes, and other barriers. Black and Hispanic workers 55 and over have a higher unemployment rate and are unemployed longer than other older workers.

- National surveys indicate that a substantial number of retirement age workers (some surveys indicate as much as 40 - 50%) are interested in continuing to work, generally on a part-time basis, and that if flexible working arrangements were made available, many "retirees" would continue to work.

Labor Market Problems of Older Workers

- Older workers have the lowest unemployment rate of any age group. However, once an older worker becomes unemployed, he or she will be unemployed for a longer period than any other age group.

- Unemployed older workers are less likely to be successful in finding new employment than workers in general and are more likely to withdraw from the labor force once they become unemployed.

- While studies indicate that most older workers are happy with the timing of their retirement decision, many others do so because it is the best option available. Many who would choose a phased retirement or second career often find such options unavailable due to institutional rules, public or private policies, or job market realities.

- Studies undertaken by the Department of Labor reveal that workers faced with the choice between continued full-time employment (during which some pension benefits are lost), part-time work for relatively low wages, or complete retirement generally opt for complete retirement.

- Older workers attempting to reenter the labor force often must overcome myths and stereotypes concerning the productivity of older workers, a lack of suitable training opportunities, and policies such as the Social Security earnings test which discourage continued employment beyond age 65. (See description of earnings test on next page).

Tomorrow's Workforce

- The number of older individuals will increase during the next decade, while the pool of potential younger workers will actually decrease. By the end of the century, the median age of the labor force will increase from 36 to 39. Between now and the year 2000, the number of workers over age 55 will slowly increase, while the number between the ages of 16 and 24 will be almost 1 million less than in 1986.

- Blacks, Hispanics, and Asians and other races are projected to make up approximately 57% of the growth in the labor force between now and the year 2000. Including non-Hispanic white women increases this percentage to 90%.

- By the year 2000, workers between the ages of 35-54 will make up 53.2% of the labor force compared to 41.7% now. The percentage of workers 65 and over in the labor force is projected to decline slightly, falling from 2.8% in 1987 to 1.8% in 2000.

Social Security Earnings Test As Potential Barrier

To Older Worker Employment

While there is disagreement over the total impact of the Social Security earnings test on the number of older individuals who might otherwise continue working beyond age 65, most studies on the subject reveal that there are a significant number of employers and employees who view the earnings test as an important disincentive to staying in the labor force.

CURRENT LAW:

—Older workers between the ages of 65 and 69 who earn income above $8,800 ($740 monthly) lose $1 in Social Security benefits for every $2 they earn above this limit.

—Beneficiaries aged 62-64 may earn up to $6,480 a year ($540 monthly), in wages before they start losing $1 in benefits for every $2 they earn above this limit.

—In 1990, these individuals will lose $1 in benefits for every $3 they earn above the limit.

—There is no earnings test for individuals age 70 or over.

—The earnings test does not apply to pensions, rent, dividends, or any other types of "unearned" income.

H.R. 3079:

—Legislation introduced August 2, 1989 by Rep. Hughes and Rep. Tauke would exempt child care earnings from the Social Security Earnings Test for workers aged 65 and older.

—According to the Congressional Budget Office, the cost of this legislation would be $15 million in the first year (FY 1990) and $85 million over five years.

—This earnings test exemption is targeted at a traditionally low-wage profession. According to the Department of Labor, the average child care service provider earns between $8,000 and $12,000 annually.

—The amendment addresses the need for an increased amount of child care providers.

FEDERAL EMPLOYMENT PROGRAMS PERTAINING TO OLDER WORKERS

Community Service Employment Program For Older Americans

The Senior Community Service Employment Program (SCSEP) for older Americans is authorized under Title V of the Older Americans Act. Its mandate is to create useful part-time opportunities in community service activities targeted to unemployed low-income persons who are 55 years old or above, and who have poor employment prospects.

Program Characteristics

- Although the program supports a relatively small number of jobs — 65,800 in the 1989-90 program year (an estimated 1% of those who are potentially eligible) — it is the most visible federally supported employment program for older persons.

- The program not only provides opportunities for part-time employment and income for older persons, but also contributes to the general welfare of communities by serving as a source of labor for various community service activities. Some enrollees are placed in private sector employment after participation in the program. In recent years, the rate of transition to private sector employment has increased.

- The income level of participants must not exceed 125% of the poverty level. Participants may work up to 1,300 hours per year and average 20-25 hours per week.

- Enrollees are paid no less than the Federal or State minimum wage or the local prevailing rate of pay for similar employment. For the 1989-90 program year, the average hourly wage was $3.51.

- In addition to wages, participants receive annual physical examinations, personal and job-related counseling, and some training.

- Funds are allocated to national organizations and to state agencies on aging according to a forumula specified by law. The national sponsoring agencies are: Green Thumb Inc., National Council on Aging; National Council on Senior Citizens; American Association of Retired Persons; U.S. Department of Agriculture of Forest Service; National Caucus and Center on Black Aged; Asociacion Nacional Pro Personas Mayores; National Urban League; National Pacific/Asian Resource Center on Aging and the National Indian Council on Aging. In recent years, national organizations have received 78 percent of the funds and state agencies, 22 percent.

- Dept. of Labor data show that a majority of enrollees are female, about half have less than a high school education, and slightly more than a third are minorities. About half are between the ages of 55 and 64, and about one-quarter are 70 years or over.

- In the 1989-90 program year about two-thirds of the job placements were in service activities, and the remainder were in services benefitting the elderly, such as providing assistance in elderly nutrition programs.

- Appropriations for the program have increased by almost 25 percent since 1982, from $277.1 million to $343.8 million for the program year beginning in July 1989. Recent legislation reauthorized the Title V program for four years through 1991. Changes included setting administrative costs at 13.5 percent of Federal funds (previously set at 12 percent), and liberalizing eligibility requirements for Federal housing and food stamp program participation for persons receiving Title V wages.

The Job Training Partnership Act (JTPA)

The Job Training Partnership Act (JTPA) was enacted in 1982 to replace the Comprehensive Employment and Training Act (CETA), and authorizes a variety of training and related programs for low-income and dislocated workers. Two programs of primary interest to older workers are the title II-A block grant for economically disadvantaged adults and youth, and the title III program for dislocated workers. All JTPA programs are permanently authorized.

Title II-A

- Authorizes the single largest program under JTPA, and provides training and employment related services to economically disadvantaged workers. At least 90 percent of participants must have incomes no higher than the Office of Management and Budget poverty line, or 70 percent of the Bureau of Labor Statistics lower living standard. Up to 10 percent may have higher incomes if they have another barrier to employment.
- Services available include a full range of training and related activities, including basic and remedial education, classroom training, and on the job training. However public service employment under title II-A is specifically prohibited.
- A nationwide network of Private Industry Councils comprised of local business representatives and other interested individuals, plan and administer the program jointly with local elected officials. Local programs must meet mandatory national performance standards which measure factors such as job placement rates and cost per placement.
- The overall title II-A program is heavily targeted on youth and welfare recipients. At least 40 percent of funds at the local level must be spent for disadvantaged youth, and recipients of Aid to Families with Dependent children must be served in proportion to their incidence in the eligible population.
- Very limited support services and income maintenance payments are available to title II-A participants. Typically, support services include child care and transportation; income payments are generally subsistence level and based on need. No more than 15 percent of funds can be used for support services and income support.
- In Program Year 1987, four percent of participants in the regular title II-A program were age 55 or older. This does not include participants in programs funded with the 3 percent older worker set-aside.
- 3 Percent Set-Aside — Three percent of FY89 appropriations ($1,787,000,000) for title II-A are set aside at the state level specifically for low-income older workers, age 55 and over (54 million). The 3 percent set-aside for older workers is administered directly by the states, in conjunction with local service delivery areas, and is intended to result in the placement of older workers in private sector jobs.
- Although, the National Commission for Employment Policy recently reported that many states have not been able to spend all their 3 percent funds, some studies indicate that more older workers continue to be served each year. The commission suggests two reasons why older workers may not be well represented in JTPA programs. Older workers may not be interested in training for full-time employment (a mandatory performance standard); and program administrators may recruit younger workers more aggressively to improve their job placement rates.

Title III

Title III of JTPA authorizes employment training services for dislocated workers who are defined very broadly in the law as involuntarily unemployed workers who are unlikely to return to their previous occupation or industry. The definition includes long-term unemployed individuals who have limited opportunities for re-employment, including older workers who may face substantial barriers to employment due to their age. There are no income eligibility criteria for participation in title III; eligible individuals are not necessarily low-income.

- Services authorized under title III include a full range of employment training and related activities, including job search assistance. As originally enacted, title III contained the same limitations on support services and income support as title II-A. However, omnibus trade legislation enacted by the 100th Congress substantially revised the title III program and will permit more flexibility in provision of income support to dislocated workers who enroll in training early during their period of unemployment.

- Although title III is substantially smaller than title II-A, it serves a greater proportion of older workers. Workers age 55 and over have increased as a percent of total title III enrollees from 6 percent in program year 1984 to 8 percent in program year 1987. In PY88 title III was appropriated $283.8 million and served approximately 100,000 people.

Coordinating JTPA and SCSEP Results in Older Workers Serving as Child Care Providers

In Union City, New Jersey, low-income older workers (55 and older) are being trained and employed as paraprofessionals in the field of child day care at the Union City Day Care Program, Inc. (UCDCP). Two of the witnesses in Panel II, Ms. Dana Berry the Project Director, and Union City Mayor Robert Menendez, will discuss the particulars of this model program.

- Under the coordinated program, eligible participants receive eight weeks of classroom training in an innovative curriculum of early childhood education and development.

- The classroom training component is sponsored by and funded through the JPTA program administered by the local county Office of Employment and Training and Private Industry Council. While enrolled in classroom training, participants receive a stipend of $3.35 per hour paid directly to them by a participating sponsor organization under the Title V Senior Community Service Employment Program.

- Following completion of training, participants are placed in day care aide positions in public and private non-profit day care centers and after school programs throughout the county which have been pre-screened by the UCDCP. This phase of the model program consists of up to six months of work experience during which UCDCP graduates work for up to twenty hours per week and receive a $3.35 per hour stipend paid directly to them by a sponsoring Title V organization.

- At the completion of the six month period, graduates move into un-subsidized employment, either as employees of the participating child care facility, or in other private or public sector day care and after school programs. Graduates who prefer to provide home based day care as self-employed contractors can do so and technical assistance is available. Continuing education for graduates is also available through weekend workshops and seminar activities.

Coordination Problems Between JTPA and the SCSEP (Title V)

Although coordination between the SCSEP and JTPA is officially encouraged, and the Union City Day Care Project is a clear example of what can happen when this occurs, JTPA and the SCSEP contain features which make coordination difficult and create disincentives for program operators.

- Under the SCSEP, the number of hours worked are restricted to part-time employment, and under JTPA employment must be full-time.
- Program operators are not credited with job placement of an individual after training under JTPA and subsequent placement in a SCSEP position.
- Under JTPA performance standards the wage at entered employment must exceed the minimum wage — under the SCSEP, the wage cannot exceed the minumum wage.

OVERVIEW OF CHILD CARE INDUSTRY

The United States is the only Western nation, besides South Africa, without a coordinated national system to govern the provision of child day care service. It is estimated that support for day care services is provided through more than thirty Federal programs. None of these programs exclusively support child day care services per se.

Although there are neither comprehensive data, nor agreement, on the need for child care services in the United States, there is a general consensus that the child care industry is having problems recruiting and retaining qualified workers. Considering labor force trends and the increasing need for child care providers, the hearing will examine the role older workers can play in this regard.

WORKFORCE TRENDS

- More than 70% of women aged 25 - 34 are in the labor force. In 1950, only 35% were.
- In 1950, only 12% of women with children under age six worked. Today, 57% do.
- Based on Bureau of Labor projections for the year 2000, the demand for child care workers will grow by at least 20%, while demand for pre-school teachers will increase by at least 36%. This demand reflects both the anticipated continued growth in the number of preschool children with a mother in the labor force, and the growing percentage of children enrolled in group programs prior to school entry.

RECRUITING AND RETAINING EARLY CHILDHOOD STAFF

- In 1988, there were approximately 1,250,000 public and private child care workers providing child care in a variety of arrangements. Women comprise over 95% of all child care workers.
- In 1988, 14.1% of child care workers (176,000 individuals) were age 55 and over.
- Average salaries range from a low of $4,800 for those working in private households to between $10,000-$12,000 for child care workers in structured educational settings.
- Turnover rates for child care workers are high (35-60%).
- One measure of occupational retention is tenure - the average number of years a worker remains in a given field. Child care workers have an average tenure rate of 2.7 years, compared to an average tenure of 12.5 years for a secondary school teacher. In addition, the percentage of child care workers leaving the industry from 1986 to 1987 was 35.2% compared to 9.1% for secondary school teachers.

STATEMENT OF CAROLYN GOLDING, DEPUTY ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING, U.S. DEPARTMENT OF LABOR

Ms. GOLDING. Mr. Chairman, members of the committee, I am pleased to have this opportunity to appear before you to discuss the utilization of the older workforce. I will just highlight some of the principal points in my testimony. I would also asked that we be allowed to introduce into the record these two reports which we recently produced at the Department of Labor.

Mr. HUGHES. Without objection, it will be so ordered.

[See Appendix]

Ms. GOLDING. Thank you. Much of my testimony in turn highlights these reports.

I am accompanied today by a gentleman I should introduce to you, Mr. Thomas Plewes, who is Associate Commissioner of the Bureau of Labor Statistics for the section dealing on employment and unemployment statistics. He is going to keep me honest insofar as the data goes.

Mr. HUGHES. Would you spell his last name for us?

Ms. GOLDING. P-L-E-W-E-S.

Let me take up in turn the 3 issues that you asked that we address in testimony today, starting with an overview of the labor market status of older workers. It can be difficult to generalize about older workers because the range of situations is so wide. It ranges from people who are facing retirement from a long time career job through retirees who are seeking part-time or full-time employment, all the way over to a recently widowed spouse looking to enter or reenter the labor force after a long period of absence, or having never worked before. Still, given the wide range of situations, we can make a few broad general statements.

The long-term trend, and this is something that we have just noticed in the data, the trend toward earlier and earlier retirement seems to have slowed. Generally speaking, the trend toward early retirement has been viewed as resulting primarily from positive factors. It means that people feel that they have the financial wherewithal to retire at an earlier age than they did a generation ago. But there is, as we have already heard from your statement, a downside to these early retirements in that the labor force loses valuable resources when older workers retire very early.

To illustrate the trend that existed through 1985 or 1986, in the last 40 years the likelihood of a man 65 years of age or older being in the labor force declined from 48 percent to about 16 percent. Women in that same 65 and older age group historically had not worked that much outside the home, and today only 1 in 14 is in the labor force. That is about 7 percent, and that is a historic low.

The recent change in the trend line in the decline of labor force participation has caused some analysts to speculate that the uninterrupted long-term decline in labor force participation has actually ended. I am not sure that we can actually say that, and it is not exactly clear what is happening now. I have provided some data at the back of my testimony, a table that shows the data from 1979 to 1985 in contrast to more recent data, and that data shows either a flattening out, or even a small upturn in the labor force participation rates on the part of men and women, older men and women.

Another important point for us to note, I think, is that among those older people who are still working there is a continuing tendency to move away from full-time employment and into part-time employment. Perhaps these recent changes reflect the recent strong economy and the strong demand for labor. We have created 20 million new jobs in the last 7 years. We also are seeing a phenomenon that has been widely reported, and that is a slowdown in the number of youth entering the labor force.

With the strong demand for labor in recent years, particularly in the services area, which Mr. Stearns cited, and in the retail trades, where many youngsters have traditionally worked, someone has had to take up the slack. A bit of it has been taken up by older workers.

A few words about older workers who are asked about retirement. Those who say that they would like to work beyond the normal retirement age prefer the option of part-time work with their current employers to having to go out and find a new job. However, this gradual retirement option, if you will, of moving in a transitional way to retirement from full-time to part-time work with the same employer, and then to full retirement, as an option, is rarely available. Most employers do not provide employees with such a choice.

And as is pointed out in the BLS report, which you have, the part-time job market tends to be very limited in the types of work that is offered and in the financial rewards for that work. It is true for all workers; so it is true also for older workers.

What we are seeing is that when a worker does retire, or at least until now, they tend to retire at the earliest age allowed under Social Security, and when they retire two-thirds of them leave the work force permanently.

The tough question to answer, I think, is to what degree would these workers stay in the work force, to what degree would they prefer to work, and under what conditions. We know that 97 percent or so of the older workers who are out of the labor force, tell the Census Bureau interviewers in the monthly interviews that they do not want a job. Some, however, may be saying that they do not want a job under the current conditions, the current rates of pay, the current incentives or disincentives that are offered by the pension system, the types of jobs, and the financial rewards. Certainly there can be a mismatch between their job aspirations and what the labor market currently offers.

As to your second question, what do we see for the near future, our current BLS projections, which go out to the year 2000, were based on the data for 1986, and that data showed a continuation of the long-term decline in labor force participation on the part of older men and older women. However, with the inclusion of new data since 1986, that view must be tempered. The new BLS projections are still in the process of being produced. We expect them to be available within the next 6 to 8 weeks, and as soon as they are ready, Mr. Chairman, we will forward them to you so that you can look at them in the context of the Social Security earnings, disregard changes and other matters that you may be taking up.

New factors can influence the future labor market activity of the elderly, and I would categorize them three ways. One set is related to the business cycle in recessions when jobs are scarce; labor market participation falls off because people do not see job possibilities.

The second set are structural, and we can do very little to influence those, although they are very definitely a factor in the economy.

The structural factors that I see that may point to a potential additional rise in the participation rate of older workers. Our economy is moving away from physically demanding work. We are seeing a much higher proportion of service and information-based jobs, not physically demanding.

We are also seeing higher levels of educational attainment on the part of our workers, including older workers, and we are seeing a related rise in the number of professional and managerial jobs that these more educated workers hold, and they tend to remain in them to older ages.

And finally, demographic trends, which I mentioned earlier, can increase the leverage of the older worker in the job market. Particularly important is the fall in the number of new labor force entrance, youth, and we have already seen the crest of the wave of the increase in women's labor force participation.

As I said, those factors are structural changes that are largely occurring outside our direct influence. But there is another set of factors which I would call attitudinal which we can do a lot about, and I would raise in that context the issue of employer perceptions. A few firms around the country have special programs which aim at retaining or attracting their own older workers, or recruiting new older workers, new retirees, to come to work for them. Let me mention three that are not at all shy about singing the praises of their older worker work force. Travelers Insurance, McDonald's, and Kelly Services, tell us that they are depending more and more heavily on older workers to fill their labor force needs.

In contrast, many managers and companies still have very negative views about older workers, and those perceptions tend to show up in hiring, promotion, training, and retention policies in those companies. However, as the labor market gets tighter, and a good worker is at more of a premium, I suspect these companies will be looking towards older workers more and more for help, and I suspect that their perceptions of the skills and abilities of these workers will change.

As to your third question, with respect to the issue of whether the Nation can and should encourage older workers to stay in the labor force longer, the Secretary's task force report that you have, and that I have submitted for the record, points out that older workers are important to the success of American industry, not only as a resource for production, but because of the maturity, and experience, and stability they bring to our employment work force.

I think in summary we can say that retirement that is a premature departure from the labor force becomes a real cost to the worker, to the employer, and to the country as a whole.

Let me finish by giving you our views on encouraging senior citizens to help meet the needs for day care in this country. Your own case, I think, Mr. Tauke is very persuasive. Because of their experience and their position in society, I think our elderly citizens can relate to young people in ways that are unique and beneficial. Many have the time available, they are highly skilled, and they can fill a need that youngsters have for role models, mentoring, and for good relationships with dependable, trustworthy adults.

You are going to hear later about a model program in Union City, New Jersey. That project, if I understand correctly, is funded in part by one of the programs I was going to mention in national terms, the Senior Community Service Employment Program under Title 5 of the Older Americans Act. The Department of Labor administers this subsidized employment program for senior low income workers in part-time community service jobs. And in 1987, the last year for which we have complete program data, about 9,000 positions, or 14 percent of the total number, were in the field of education, and something under half, probably about 40 percent of those education positions, were involved in child care. We think that has been a very successful effort of that program.

In addition, we have some other partnerships with JTPA, and the Senior Community Service Employment Program, and also the Job Corps Program, and the Senior Program. In Job Corps senior enrollees have worked as teacher aides and health aides.

That concludes my testimony, Mr. Chairman, and after we hear from the other witnesses, I will try to answer your questions.

[The prepared statement of Ms. Golding follows:]

STATEMENT OF
CAROLYN M. GOLDING
DEPUTY ASSISTANT SECRETARY OF LABOR
FOR EMPLOYMENT AND TRAINING
BEFORE THE
SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT
SELECT COMMITTEE ON AGING
U.S. HOUSE OF REPRESENTATIVES

September 13, 1989

Mr. Chairman and Members of the Subcommittee:

I am pleased to have this opportunity to appear before you today to discuss the utilization of the older workforce. I am accompanied today by Thomas Plewes, Associate Bureau of Labor Statistics Commissioner for Employment and Unemployment Statistics.

As you know, in January of this year the Department released a report of former Secretary McLaughlin's Older Worker Task Force and a second report, prepared by the Bureau of Labor Statistics (BLS), on the labor market problems of older workers. I would like to submit these reports to the Subcommittee for the record. My testimony draws heavily from these reports.

I will discuss in turn the issues you asked me to address in your letter of invitation, beginning with an overview of the labor market status of older workers. It is difficult to generalize about the labor market status of older workers, because we must cover such a wide range of situations--from the long-career employee facing a decision of whether or not to retire, to the retiree looking for part-time work, to the recently widowed woman who suddenly is forced to enter the paid workforce after many years out of it.

Still, a few broad statements can be made. The long-term trend towards earlier and earlier retirement seems to have slowed in the last few years. We could only guess, however, to what extent that trend is due to some fundamental change in the retirement process or to what extent it is the result of a long period of rapid job expansion. Generally speaking, the trend towards earlier retirement has been viewed as resulting primarily from positive factors--specifically, improved financial resources available to older persons, including better Social Security benefits, more and better pensions, and increases in wealth.

But there is also a downside to the early retirements, inasmuch as the labor force loses valuable resources when older workers retire very early. To some extent the structure of the Social Security and private pension systems may not only enable early retirement but, in some cases, encourage it. Still, it is fair to say that a growing number of older citizens have been able to enjoy a longer, financially secure retirement.

As an illustration of that trend, in the last 40 years the likelihood of a man age 65 or older being in the labor force declined from 48 percent to only about 16 percent today. Women in that age group never worked that much outside the home, and today only 1 in 14 is in the labor force--about 7 percent--which is about as low as that figure has ever been.

Recent trends in work activity of older workers, however, have caused some analysts to speculate that the uninterrupted long-term decline in labor force participation, which has particularly affected men, has ended.

What exactly is happening now? As shown in the table that accompanies my written statement, for men, between 1979 and 1985, the trend was still clear--a continuation of the long-term decline in work activity. Since then, for each of the age groups over 55, we have seen either a flattening out or even a small upturn in those participation rates. The trend for women also tends to be upward, although, particularly for the youngest group, that path predates the one for men. Another important point is that, among those older persons who are still working, there is a continued tendency to move from full-time to part-time work, presumably reflecting a shift from career jobs to transitional ones prior to full retirement.

Perhaps these recent changes in participation rates reflect the strong demand for labor in recent years--we have added some 20 million jobs over the course of the nearly 7-year current economic expansion. And the increase in voluntary part-time work activity among older workers suggests that they are starting to reap some benefit from the slowdown in the numbers of youth entering the labor force. The decline in the youth population, a key to the labor shortage scenario that I'm sure everyone here has read about or discussed at one time or another, has manifested itself in a 4 million decline in the youth labor force in the last decade. With the strong demand for labor in recent years, particularly in services and retail trade, where many youngsters have traditionally worked, someone has had to take up the slack. And so a bit of it, though not a lot, has been taken up by older workers.

If you asked whether this shortage of youngsters in the job market will solve the job needs of older workers, the answer might be "yes" for some, but for many others, maybe most others, it would be "no." Those older workers who say they would like to work beyong normal retirement age most often would prefer the option of part-time work with their current employers to that of finding a new job. They know that their value to their long-term employer, in a job that they have mastered through years of training and experience, is greater than it is to a new employer, particularly in a new occupation. In such a case, they would be, in effect, starting over and would probably be paid accordingly.

The gradual-retirement option, however, is rarely available. Most employers do not provide their employees with such a choice, and that decision may be affected by pension provisions. Older workers, then, often face the choice of continuing to work full time the year round in their long-held jobs or retiring completely from that job. And, as is pointed out in the BLS report on the labor market problems of older workers, the part-time job market, at least now, tends to be very limited in the types of work and in the financial rewards available. It is that way for all workers, not just older ones.

More often than not, then, when a worker does retire, it is at the earliest age allowed under Social Security. And when they retire, data from the Social Security Administration suggest that probably two-thirds leave the workforce permanently.

The toughest question is: To what extent would these retirees prefer to work, and under what conditions? We know that the vast majority of older workers who are out of the labor force tell the Census Bureau interviewers each month that they do not want a job. And certainly, for many, perhaps most, that reponse reflects their true preference for leisure after a lifetime of work. Some, however, may be saying that they don't want the types of jobs available to them under present conditions--pay and otherwise. Certainly, though, a number of analysts have argued there is often a mismatch between the job aspirations of older persons and the types and conditions of work currently offered. Thus, we see as many people beginning to draw Social Security benefits at age 62, when they are first eligible, as we do for all other ages combined! And, once they do so, most often they do not work any more.

What do we see for the near-term future? Current BLS projections to the year 2000 were based on data through 1986, and they showed a continuation of the long-term decline in labor force activity of older men and women. But, by 1986, no clear sign of a change in that trend had emerged. With the inclusion of data since 1986, that view must be tempered. New BLS projections, based on more recent data, will be available soon, and we will make these projections available to the Subcommittee when they are available.

Many factors are at work that can, and will, influence the future labor market activity of the elderly. An economic downturn could limit opportunities for retirees and further reduce the number of older full-time workers through displacement, or through a rise in the use of early-retirement incentives.

On the other hand, some factors point to a potential rise in work activity among the elderly:

- the move away from physically demanding work, so common for much of the current generation of older persons, to service and information-based jobs;
- higher levels of educational attainment for retirement-age men and women in the future, and a related rise in the number of professional and managerial jobs that these more educated workers tend to hold (and remain in to older ages); and
- demographic trends which could increase the leverage of older workers in the job market. Particularly important is the fall in the number of new labor force entrants, and the makeup of the labor pool--a rise in the proportion of those who are often the least prepared to enter the job market.

Each of these factors--the move from brute work to brain work, the rise in the education of future cohorts of older workers, and the changing demographics are structural changes that are largely outside our direct influence. Any changes in private and public policy, including pension rules, will further influence the future course of work and retirement trends.

The issue of employer perceptions is very important and deserves mention here. A few firms around the country have, for as long as a decade now, had special programs to either retain their own older workers or to recruit retirees. Travelers' Insurance, McDonald's, and Kelly Services, for example--three diverse companies--are beginning to depend more and more heavily on older persons to fill their labor needs. And these companies are not at all shy about singing the praises of their older workers. But studies show that many managers still have very negative views about the usefulness of older persons to their organizations, and those perceptions show up in the hiring, promotion and training decisions that they make every day. Optimistically, as labor market realities force many employers to compete more agressively for a declining labor pool, they will look towards older workers for help, and, I suspect, their perceptions of the skills and abilities of those workers will change along the way.

With respect to the issue of whether the Nation can and should encourage older workers to stay in the labor force longer, the Secretary's Task Force report points out that older workers are important to the success of American industry, not only as a resource for production, but also for the maturity and experience they bring to the workplace. To the extent that workers retire at younger ages, those qualities of the American workforce are diminished. At the same time, those who retire sever themselves from important sources of financial security, personal identity, a sense of achievement and a locus of social interaction. Therefore, retirement that is a "premature" departure from the labor force, especially if it is a result of inappropriate public policies or a lack of knowledge, becomes a real cost to the individual worker, the employer and the Nation.

I will conclude by giving you our views on encouraging senior citizens to help fill the need for quality day care providers. In our view, there is much to be gained by using older workers to meet the needs for day care. Because of their experience and position in society, our elderly citizens can relate to young people in ways that are unique and beneficial. Many have time available, are highly skilled, and can fill the need that children have for meaningful relationships with dependable, trustworthy adults. The talents of older persons can be utilized to help meet the needs of at risk youth as well, through serving as mentors, teaching basic life skills, job readiness and vocational skills as well as providing the emotional stability, guidance and social attachment which these youth need and are seeking.

Through the Senior Community Service Employment Program (SCSEP) under Title V of the Older Americans Act, the Department of Labor administers a program of employment for senior, low-income persons in part-time community service jobs. In this program in 1987, about 9,000 positions, or 14 percent of all positions, were in the field of education. An estimated 40 percent of these were involved with child care. Many of these positions, such as teacher aides, were directly related to the provision of services to children, and other positions provided clerical and custodial assistance in schools. In addition, in a coordinated effort between SCSEP and the Job Corps, SCSEP enrollees have worked as teacher aides and health aides.

Mr. Chairman, this concludes my prepared testimony. At this time I would be pleased to answer any question that you or other Subcommittee members may have.

Labor force participation rates for men and women age 55 and over, 1979, 1985, 1988, and 8 month average, 1989

	1979	1985	1988	1989
MEN				
55-59 years	82.1	79.6	79.3	79.3
60-61 years	71.9	68.9	67.0	68.5
62-64 years	54.3	46.1	45.4	45.1
65-69 years	29.6	24.5	25.8	26.3
70 years and over	13.8	10.5	10.9	11.2
WOMEN				
55-59 years	48.7	50.3	53.3	54.3
60-61 years	40.8	40.3	41.7	43.0
62-64 years	28.8	28.7	28.5	29.7
65-69 years	15.3	13.5	15.4	16.4
70 years and over	4.6	4.3	4.4	4.4

Mr. HUGHES. Thank you, Ms. Golding.
Mr. Enoff, welcome.

STATEMENT OF LOUIS D. ENOFF, DEPUTY COMMISSIONER FOR PROGRAMS, SOCIAL SECURITY ADMINISTRATION

Mr. ENOFF. Thank you very much, Mr. Chairman, and members of the committee. I appreciate the opportunity to be here with you today. I agree with you that special attention must be given to the needs of older workers. Their skills and experience are important national resources, and we must cultivate and encourage them to be used.

People who administer the Social Security Program, are keenly aware of the influence that the Social Security policies have on the retirement decisions of older Americans. We also recognize that there are a multitude of forces that impact on the work and retirement decisions of older Americans.

Research suggests that private pensions, personal assets, labor market forces, are probably more significant in determining retirement behavior than Social Security benefits and policies. So at your suggestion, I would like to summarize a few points under three categories, again starting with what our research shows about older workers.

Our research would say that the labor force participation rate does decline rapidly with increase in age. About 55 percent of those aged 55 to 64 are in the labor force compared to 20 percent of those aged 65 to 69, and down to 7 percent when we reach age 70 and above. Men, as Ms. Golding has indicated, are almost twice as likely as women, to be in the labor force after age 55. There are almost three times as many full-time older workers as part-time older workers, and men are more likely again to work full-time than are women.

In recent years there has generally been a trend toward earlier retirement. We are looking forward to this data from the Labor Department that shows some change in that, but generally speaking the majority of workers have voluntarily withdrawn from the labor force rather than stopping work for reasons such as health, or employer's decisions.

In addition, the percentage of those who retired voluntarily has increased. For example, our studies indicate that in 1969 24 percent of the men who began to receive Social Security retirement benefits before age 65 chose to retire. By 1982 that percentage had increased to 42 percent.

A few words about our research, and what it would show in early retirement. The trend toward voluntary early retirement, especially among men, has been widely recognized for some time. The major reason for this decline was the substantial improvement in the availability and size of retirement income. More people can now financially afford to retire at earlier ages. Retirement income from all sources, that is, Social Security, private pensions, income from assets, rose dramatically. For example, approximately 35 percent of all married couples in which the husband was aged 65 or over, received pensions in 1976, while the percentage receiving pensions in 1986 was up to 50 percent.

Aside from the availability of adequate retirement income, other factors also tend to discourage older individuals from working. The Nation's wage structure results in a rising pattern of wages that favors older workers at the expense of younger workers. Because older workers are generally more expensive, many employers are reluctant to hire older workers, and, in fact, may encourage them to retire.

Private pensions tend to encourage early retirement by providing liberal benefits. In some cases, for example, pensions are reduced less than is actuarially fair, while another's pensions pay a supplement until the early retiree reaches age 62 and is eligible for Social Security.

The cost of training an older worker must be absorbed over a relatively short period of time, and also older workers can seldom convert from full-time to part-time work without changing jobs and suffering reductions in wages and fringe benefits.

Regarding the retirement earnings test, you especially asked that I comment on the positive and negative factors involved. Let me summarize some of the arguments for retaining the test and then I will talk about some of the reasons for eliminating it.

Proponents of retaining the retirement earnings test have generally presented the following arguments. Eliminating the test would change Social Security from an insurance program against the loss of income at retirement to an earnings-based annuity payable upon reaching a defined retirement age.

Second, eliminating the test would primarily advantage higher income beneficiaries.

Third, eliminating the test would be costly, increasing benefit payments by about $13 billion a year.

Finally, eliminating the test would turn us away from the major policies adopted by the 1983 Bipartisan National Commission on Social Security.

Those in favor of modifying or eliminating their earnings test on the other hand have generally used the following arguments. One, Social Security benefits are an earned right, bought and paid for, and should not be withheld from eligible beneficiaries for any reason. Further, the annuity concept has already been established at age 70, since benefits are payable at that point regardless of earnings.

Second, the earnings test discourages beneficiaries from working because the effective marginal tax rate on earnings, taking into account the test itself, the Social Security taxes, and as Mr. Tauke has pointed out, can approach 100 percent of the earnings.

Third, by discouraging beneficiaries from working, the earnings test deprives the country's labor force of the skills and experience of older workers.

Also, the earnings test encourages older workers to participate in the underground economy, especially those in need of additional income. Also, since the investment income that may be earned by a retiree does not count for earnings test purposes. The test discriminates against those who depend on income from work to supplement their retirement.

Finally, the earnings test is complicated, it is difficult to understand, costly, and difficult to administer.

In conclusion, I believe that in order to best serve this Nation, the Social Security Program should neither impede older Americans from working if they wish to do so, nor operate to deprive the economy of the skills and experience of older workers. Older Americans are a treasury of knowledge, experience, and know-how. We believe that as a society we should encourage the sharing of that treasure, and in the coming decades with the changing demographic make-up and slower expansion of the work force, we believe there will be a greater opportunity to do that.

That concludes my remarks, Mr. Chairman.

[The prepared statement of Mr. Enoff follows:]

DEPARTMENT OF HEALTH & HUMAN SERVICES
Social Security Administration
Refer to
Baltimore MD 21235

STATEMENT

BY

LOUIS D. ENOFF

DEPUTY COMMISSIONER FOR PROGRAMS

SOCIAL SECURITY ADMINISTRATION

HEARING ON

WAYS TO ENCOURAGE LABOR FORCE PARTICIPATION
OF OLDER WORKERS

BEFORE THE

SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT

SELECT COMMITTEE ON AGING

U.S. HOUSE OF REPRESENTATIVES

WEDNESDAY, SEPTEMBER 13, 1989

Mr. Chairman and members of the committee, thank you for inviting me to speak to you today on a subject that is of interest to all of us who are involved in retirement income policy and who are concerned about the economic status of older Americans in general. As we acknowledge the reality of an aging population, it becomes clear that special attention must be given to the problems and needs of older workers. The skill and experience which older workers bring to our labor force are important national resources which must be utilized and encouraged.

The Social Security program is, of course, the single largest retirement income program in the nation. We who administer this program are keenly aware of the influence that Social Security policy has on the retirement decisions of older Americans. Conversely, we also recognize that changes in retirement behavior and work patterns of older Americans ultimately have a significant impact on the structure and health of the Social Security system itself.

While acknowledging the important influence of Social Security, we recognize that a multiplicity of forces impact upon the work and retirement decisions of older Americans. Recent research suggests that private pensions, personal assets, labor market forces, etc., are probably more significant in determining retirement behavior than Social Security benefits and policies.

The Social Security Administration's Office of Research and Statistics conducts ongoing studies of the interrelationships of the Social Security program and the work patterns of older Americans. In addition, the Office of Research and Statistics engages in research projects that define and measure the other economic, social, and demographic factors which influence the labor force participation of older Americans. The findings contained in my testimony are based, in large part, on their work.

Older Workers

I would like to begin by telling you what we know about older workers. Not surprisingly, the labor force participation rate for older persons declines rapidly with increasing age. About 55 percent of the youngest segment of older workers, those aged 55 to 64, are in the labor force. The percentage falls to 20 percent for those aged 65 to 69, and to 7 percent for those

AGED 70 OR OLDER. AT ALL AGES, MEN ARE MORE LIKELY TO BE IN THE LABOR FORCE THAN WOMEN. APPROXIMATELY 40 PERCENT OF MEN AGED 55 OR OLDER ARE IN THE LABOR FORCE COMPARED WITH 22 PERCENT OF WOMEN.

IN 1988, ALMOST THREE-QUARTERS OF WORKERS AGED 55 OR OLDER WERE WORKING FULL-TIME. ONE QUARTER WORKED PART-TIME, AND 3 PERCENT WERE UNEMPLOYED BUT CONTINUED TO BE IN THE LABOR POOL. MEN WERE MORE LIKELY TO WORK FULL-TIME THAN WOMEN (80 PERCENT VERSUS 64 PERCENT), WHILE WOMEN WERE TWICE AS LIKELY TO WORK PART-TIME (34 PERCENT COMPARED TO 17 PERCENT OF MEN).

ABOUT 80 PERCENT OF PEOPLE IN THE LABOR FORCE AGE 55 AND OLDER WERE WAGE AND SALARY WORKERS. SIXTEEN PERCENT WERE SELF-EMPLOYED, AND 4 PERCENT WERE EITHER UNPAID FAMILY WORKERS OR WERE UNEMPLOYED. OLDER MEN WERE ALMOST TWICE AS LIKELY TO BE SELF-EMPLOYED AS OLDER WOMEN (20 PERCENT VERSUS 11 PERCENT). THOSE WORKERS AGED 65 OR OLDER WERE MORE LIKELY TO BE SELF-EMPLOYED THAN THOSE AGED 55 TO 64 (24 PERCENT VERSUS 14 PERCENT). THIS WAS ESPECIALLY TRUE FOR MEN. THIRTY PERCENT OF WORKING MEN AGED 65 OR OLDER WERE

SELF-EMPLOYED COMPARED WITH 16 PERCENT OF THOSE AGED 55 TO 64. COMPARABLE PERCENTAGES FOR WOMEN WERE 15 PERCENT AND 9 PERCENT, RESPECTIVELY.

RETIRED WORKERS

THE SSA 1982 NEW BENEFICIARY SURVEY (NBS) PROVIDED US WITH INFORMATION ABOUT RETIRED WORKERS WHO RECEIVED THEIR FIRST BENEFIT IN THE PERIOD JUNE 1980 THROUGH MAY 1981. THE NBS IS A NATIONALLY REPRESENTATIVE, CROSS-SECTIONAL SURVEY THAT USES A SAMPLE OF NEWLY ENTITLED BENEFICIARIES SELECTED FROM SSA'S MASTER BENEFICIARY RECORD. THE ANALYSIS FOCUSES ON THOSE RESPONDENTS WHO ARE YOUNGER THAN AGE 72 AT THE TIME OF THE INTERVIEW.

WITH REGARD TO THOSE OLDER AMERICANS WHO HAVE LEFT THE LABOR FORCE, IT IS INTERESTING TO NOTE THAT ACCORDING TO THE NBS, 37 PERCENT OF RETIREES SURVEYED SAID THAT THEY CHOSE RETIREMENT. THIS REPRESENTS A SIGNIFICANT INCREASE IN THOSE RETIRING VOLUNTARILY. MEN WERE MORE LIKELY THAN WOMEN TO LEAVE BECAUSE THEY CHOSE TO RETIRE (45 PERCENT VERSUS 28 PERCENT), AND WOMEN WERE MORE LIKELY TO LEAVE FOR FAMILY OR UNSPECIFIED REASONS (33 PERCENT VERSUS 11 PERCENT).

About 25 percent of retirees surveyed stated that they had left the labor force for health reasons; 17 percent were laid off, lost their jobs or otherwise left their jobs involuntarily at the initiation of their employers; and 21 percent left for family or unspecified reasons. As age increased, the percentage who left the labor force voluntarily increased as did the percentage who left involuntarily at the initiation of their employer.

A comparison of a portion of the 1982 data with data from a similar survey conducted in 1969 reveals that the percent of men who became entitled to Social Security benefits at ages 62 to 64 and who chose to retire increased from 24 percent in 1969 to 42 percent in 1982. Over the same period, the percentage who said they stopped working for health reasons fell from 54 percent to 29 percent. Employer-initiated job loss remained constant at 17 percent. Thus, in a period when there was a movement towards earlier retirement, most of the increase, at least according to the self-reported reasons of younger retirement-aged men, was caused by voluntary, employee-initiated withdrawal from the labor force.

Early Retirement

The trend toward voluntary early retirement, especially among men, has been widely recognized for some time. For men, labor force participation rates of those aged 65 or older fell from 27 to 17 percent between 1970 and 1988; for those aged 55 to 64, the decline was from 83 to 67 percent over this same period. The larger part of the decline in participation for both age groups of men took place during the 1970's.

A major reason for this decline was the substantial improvement in the availability and size of retirement income. Retirement income from all sources--Social Security benefits, pensions, and income from assets--rose dramatically.

- After remaining fairly stable in relation to wages during the 1960's, Social Security benefits awarded retired workers grew faster than wages during the 1970's. This was largely the result of a 20-percent benefit increase passed by Congress in 1972.

- Other pensions are more commonly available now than in the past. The growth in pension coverage that occurred after World War II resulted in higher pension receipt among new retirees during the 1970's and 1980's. Approximately 35 percent of all married couples in which the husband was aged 65 or over received pensions in 1976 while the percentage receiving pensions in 1986 was about 50 percent. Only about 20 percent of this group received pensions in 1962.

- Today's retirees and those reaching retirement age during the 1970's have accumulated more assets than had retirees in the past. The median level of annual income from assets held by retired couples aged 65 or older was about $1,500 at the end of the 1970's and had risen to $3,000 by 1986.

These sources add up to higher total retirement income than in previous decades, making early retirement more affordable and thereby allowing older Americans to retire at earlier ages.

Another factor contributing to the trend toward earlier voluntary retirement was the vast increase in available labor that took place during this decade. This growth resulted, of course, from the influx of the baby boom generation and the tremendous increase in the labor force participation of women. Given the availability of generally less expensive workers, older men apparently were not in as much demand as workers as they had been in earlier decades.

Demand for Older Workers

Along with the many inducements to retire already discussed, there are also numerous other factors that act as powerful constraints to those older individuals who may wish to continue working.

For example, while a recent survey indicates employers have positive attitudes toward older workers, evidence suggests that employer policies tend to encourage early retirement and discourage delayed retirement. In fact, there is a growing body of economic research which suggests that fundamental economic forces may explain much of this phenomenon. For example:

- Cost of Older Workers

  Recent research suggests that both workers and firms generally find that a rising pattern of lifetime career wages is most efficient. That is, both employers and employees favor an implicit contract which pays younger workers at a rate below their marginal productivity in order to later compensate those workers at higher rates than would otherwise be possible when they become senior employees. Older career workers tend to receive higher wages and are, therefore, more expensive than younger workers. For this reason, some firms may be discouraged from hiring older workers.

- Structure of Private Pensions

  Although recent research indicates that the rate of pension coverage is declining among younger workers, a factor in encouraging retirement, particularly early retirement, among recent retirees is the private pension. While the features of pension plans vary significantly, a common element which

ENCOURAGES EARLY RETIREMENT IS THAT THE PENSION BENEFIT PAYABLE IS NOT REDUCED ACTUARIALLY. THAT IS, THE PENSION IS REDUCED LESS THAN IS ACTUARIALLY FAIR AND IS GENERALLY MORE GENEROUS. IN ADDITION, FOR THOSE EMPLOYEES RETIRING BEFORE AGE 62, MANY PENSIONS OFFER TO PAY A SUPPLEMENT UNTIL THE RETIREE IS ELIGIBLE FOR SOCIAL SECURITY. FINALLY, PENSION ACCRUAL FOR WORK BEYOND NORMAL RETIREMENT AGE IS OFTEN LESS THAN PENSION ACCRUAL FOR PRIOR WORK AND MAY EVEN END ALTOGETHER. THIS ACTS AS A SUBSTANTIAL DISINCENTIVE TO CONTINUED WORK.

A NUMBER OF RETIREMENT STUDIES SUGGEST THAT FOR MANY WORKERS PRIVATE PENSIONS PLAY AN IMPORTANT ROLE IN EXPLAINING THE DECISION TO RETIRE AT EARLIER AGES.

o JOB CHANGES AND TRAINING

FOR OLDER WORKERS, THE LOSS OF A JOB OR CHANGE IN JOB MEANS NOT ONLY THE POSSIBLE LOSS OF PENSION AND OTHER SENIORITY RIGHTS, BUT ALSO THE LOSS OF TRAINING AND EXPERIENCE SPECIFIC TO THE PREVIOUS JOB. A NEW JOB REQUIRES NEW

TRAINING. BUT FOR AN OLDER WORKER, THE COST OF NEW TRAINING MUST BE AMORTIZED OVER A RELATIVELY SHORT PERIOD OF TIME. NEITHER WORKER NOR FIRM HAS THE INCENTIVE TO INVEST IN SUCH TRAINING. THE COST OF TRAINING, COUPLED WITH THE COST OF SEARCHING FOR A NEW JOB, AND POSSIBLY RELOCATING GEOGRAPHICALLY, MAKES IT DIFFICULT FOR UNEMPLOYED OLDER WORKERS TO FIND NEW JOBS AND LEADS TO LONGER PERIODS OF UNEMPLOYMENT AND POSSIBLY RETIREMENT.

o SHORTAGE OF PART-TIME WORK

POLLS FREQUENTLY INDICATE THAT A SIGNIFICANT PORTION OF WORKERS WOULD PREFER SOME ALTERNATIVE TO STOPPING WORK COMPLETELY. FOR EXAMPLE, ACCORDING TO A 1981 HARRIS POLL, 36 PERCENT OF WORKERS AGE 55 AND OVER SAID THAT THEY WOULD PREFER "PHASED-IN" RETIREMENT. IT IS CLEAR, HOWEVER, THAT MOST WORKERS GO DIRECTLY FROM FULL-TIME CAREER EMPLOYMENT TO COMPLETE RETIREMENT.

EVIDENCE SUGGESTS THAT THIS ABRUPT SHIFT OCCURS BECAUSE FULL-TIME OLDER CAREER WORKERS CAN

> SELDOM CUT BACK TO PART-TIME WORK WITHOUT CHANGING EMPLOYERS AND SUFFERING A SIGNIFICANT CUT IN WAGES. THE REASONS FOR SUCH PART-TIME CONSTRAINTS ARE UNCLEAR. THEY APPEAR TO INCLUDE TECHNOLOGICAL LIMITATIONS--FOR EXAMPLE, MANY JOBS CANNOT BE DIVIDED AMONG PERSONS WITHOUT A LOSS OF EFFICIENCY. ALSO, QUASI-FIXED, PER-PERSON COSTS SUCH AS HEALTH INSURANCE TEND TO RAISE THE COST PER HOUR OF EMPLOYING PART-TIME WORKERS.

A FULL APPRECIATION AND ENHANCED UNDERSTANDING OF THESE AND OTHER ECONOMIC FORCES SEEMS ESSENTIAL TO THE FORMULATION OF SOUND PUBLIC POLICY FOR BETTER UTILIZATION OF OLDER WORKERS.

ROLE OF SOCIAL SECURITY POLICIES

AS I STATED EARLIER, WE WHO ADMINISTER THE SOCIAL SECURITY PROGRAM RECOGNIZE THE INFLUENCE THAT SOCIAL SECURITY POLICIES HAVE ON THE RETIREMENT DECISIONS OF OLDER AMERICANS. WE BELIEVE THAT WE CAN BEST SERVE OLDER AMERICANS BY CONTINUING TO LOOK FOR WAYS TO REMOVE IMPEDIMENTS TO THOSE WHO WISH TO CONTINUE WORKING.

As you know, the Social Security Amendments of 1983 contained several long-term provisions which will generally influence retirement decisions in the future. These included:

- An increase in the normal retirement age at which beneficiaries are eligible to receive full benefits. Under this provision the normal retirement age will gradually increase to age 67 for those reaching age 62 after 2022.

- An increase in the additional amount paid to those who continue working between the ages of 65 and 70 and who delay receipt of Social Security benefits. The delayed retirement credit will increase from 3 percent for workers age 62 prior to 1987 to 8 percent per year for workers age 62 after 2004; and

- A decrease in the withholding rate under the earnings test from $1 of every $2 above the exempt amount for persons who attain full retirement age to $1 of every $3 beginning in 1990.

RETIREMENT EARNINGS TEST

YOU SPECIFICALLY ASKED THAT WE COMMENT ON THE EARNINGS TEST AS A POSITIVE OR NEGATIVE FACTOR IN THE CONTINUED EMPLOYMENT OF OLDER WORKERS.

THE EARNINGS TEST WAS DESIGNED AS A MEASURE OF THE EXTENT TO WHICH EARNINGS ARE LOST DUE TO RETIREMENT. THIS WAS CONSISTENT WITH THE BASIC PHILOSOPHY OF THE ORIGINAL SOCIAL SECURITY PROGRAM, SINCE RETIREMENT BENEFITS WERE INTENDED TO PARTIALLY REPLACE INCOME LOST DUE TO RETIREMENT. THUS, UNDER THE TEST, A BENEFICIARY WHO CONTINUES TO WORK AFTER BECOMING ENTITLED TO SOCIAL SECURITY BENEFITS MAY LOSE SOME OR ALL OF HIS BENEFITS, DEPENDING ON HIS ANNUAL EARNINGS. THE EARNINGS TEST HAS ALWAYS BEEN A PART OF SOCIAL SECURITY LAW BUT HAS CHANGED QUITE A BIT OVER THE YEARS.

THE CURRENT EARNINGS TEST REDUCES BENEFITS BY $1 FOR EACH $2 OF EARNINGS ABOVE THE ANNUAL EXEMPT AMOUNT. THE EXEMPT AMOUNT FOR 1989 IS $6,480 FOR BENEFICIARIES UNDER AGE 65 AND $8,880 FOR BENEFICIARIES AGE 65 TO AGE 69. BEGINNING WITH 1990, BENEFICIARIES AGE 65 TO AGE 69 WILL LOSE $1 FOR EACH $3 OF EARNINGS ABOVE THE ANNUAL EXEMPT AMOUNT. THESE EXEMPT AMOUNTS ARE

ADJUSTED ANNUALLY TO REFLECT INCREASES IN AVERAGE WAGES. EACH YEAR ALMOST ONE MILLION SOCIAL SECURITY BENEFICIARIES LOSE SOME OR ALL OF THEIR BENEFITS BECAUSE THE TEST IS IN EFFECT FOR PERSONS AGED 65 THROUGH 69, AND AN ESTIMATED ADDITIONAL 100 THOUSAND PERSONS AGED 65 THROUGH 69 DO NOT FILE FOR BENEFITS BECAUSE THE TEST IS IN EFFECT.

TO HELP CLARIFY THE DEBATE ON THE EFFECTS OF THE RETIREMENT TEST, LET ME SUMMARIZE SOME OF THE ARGUMENTS FOR RETAINING THE TEST VERSUS CHANGING OR ELIMINATING IT.

ARGUMENTS FOR RETAINING THE EARNINGS TEST

PROPONENTS OF RETAINING THE RETIREMENT EARNINGS TEST HAVE GENERALLY PRESENTED THE FOLLOWING ARGUMENTS:

- ELIMINATING THE TEST WOULD CHANGE SOCIAL SECURITY FROM INSURANCE AGAINST THE LOSS OF INCOME AT RETIREMENT TO AN EARNINGS-BASED ANNUITY PAYABLE UPON REACHING A DEFINED RETIREMENT AGE.

- Eliminating the test would primarily advantage higher income beneficiaries because it affects the benefits of higher earners to a greater extent than low earners.

- As mentioned earlier, current law already provides for further liberalization of the test from a $1-for-$2 benefit withholding rate above the exempt amount to $1-for-$3 for beneficiaries age 65-69 beginning in 1990.

- Eliminating the test for everyone would be costly, increasing benefit payments by about $13 billion per year.

- Eliminating the test would decrease the work incentives for some beneficiaries now affected by the test since they could work less for the same amount of total income.

- Eliminating the test would turn us away from the major policies adopted by the 1983 Bipartisan National Commission on Social Security Reform and approved by the President and the Congress.

Arguments For Eliminating the Earnings Test

Those in favor of modifying or eliminating the earnings test have generally used the following arguments to support their position:

- Social Security benefits are an earned right--bought and paid for--and should not be withheld from eligible beneficiaries for any reason. Further, the annuity concept has already been established at age 70 since benefits are payable at that point regardless of earnings.
- The earnings test discourages beneficiaries from working because the effective marginal tax rate on earnings--taking into account the test itself, Social Security taxes, and Federal, State, and local income taxes--can currently approach 100 percent.
- By discouraging beneficiaries from working, the earnings test deprives the country's labor force of the skills and experience of older workers. As labor force growth slows, there

WILL BE TIGHT LABOR MARKETS, AND THERE IS A NEED TO ENCOURAGE OLDER PEOPLE TO PARTICIPATE IN THE LABOR FORCE.

o THE EARNINGS TEST ENCOURAGES OLDER WORKERS TO PARTICIPATE IN THE UNDERGROUND ECONOMY, ESPECIALLY THOSE IN NEED OF ADDITIONAL INCOME.

o THE TEST DISCRIMINATES AGAINST THOSE WHO DEPEND ON INCOME FROM WORK RATHER THAN ON INVESTMENT INCOME TO SUPPLEMENT THEIR BENEFITS. BENEFICIARIES WHO HAVE UNEARNED INCOME--GENERALLY THOSE AT HIGHER INCOME LEVELS--CAN RECEIVE THEIR BENEFITS WITHOUT PENALTY.

o THE COST OF ELIMINATING THE TEST WOULD BE OFFSET IN PART BY ADDITIONAL SOCIAL SECURITY TAXES AND INCOME TAXES ATTRIBUTABLE TO INCREASED LABOR FORCE PARTICIPATION BY OLDER WORKERS.

o THE EARNINGS TEST IS COMPLICATED, DIFFICULT TO UNDERSTAND, AND COSTLY TO ADMINISTER.

CONCLUSION

WE AT SSA PLAN TO CONTINUE STUDY OF THE WORK PATTERNS OF OLDER WORKERS. MAJOR PROJECTS FOR THE COMING YEAR INCLUDE RESEARCH ON:

- LABOR FORCE TRANSITIONS IN THE ELDERLY POPULATION,
- DEMAND FOR OLDER WORKERS,
- PATTERNS IN PENSION COVERAGE, AND
- SOCIAL SECURITY PROGRAM IMPACTS ON LABOR SUPPLY.

IN CONCLUSION, I BELIEVE THAT IN ORDER TO BEST SERVE THIS NATION, THE SOCIAL SECURITY PROGRAM SHOULD NEITHER IMPEDE OLDER AMERICANS FROM WORKING IF THEY WISH TO DO SO NOR OPERATE TO DEPRIVE THE ECONOMY OF THE SKILLS AND EXPERIENCE OF OLDER WORKERS.

OLDER AMERICANS ARE A TREASURE OF KNOWLEDGE, EXPERIENCE, AND KNOW-HOW. WE BELIEVE THAT, AS A SOCIETY, WE SHOULD ENCOURAGE THE SHARING OF THAT TREASURE. IN THE COMING DECADES, THE CHANGING DEMOGRAPHIC MAKEUP AND SLOWER EXPANSION OF THE WORKFORCE WILL GREATLY INCREASE THE VALUE OF CONTRIBUTIONS MADE BY OLDER AMERICANS WHO WANT TO CONTINUE TO WORK.

Mr. HUGHES. Thank you.
Mr. Schulder.

STATEMENT OF DANIEL J. SCHULDER, DIRECTOR OF PUBLIC POLICY, THE NATIONAL COUNCIL ON THE AGING, INC.

Mr. SCHULDER. Thank you, Mr. Chairman. I have submitted my testimony for the record. Let me try to summarize.

The National Council on the Aging is a national, private, nonprofit organization for needs of older persons, and we basically represent the interests of several thousand community-based public and private organizations providing a variety of services, such as adult day care, long-term care, housing, employment, and many other services. We are not a mass membership organization.

Mr. Chairman, we think this is about the right time for the Congress to review the federal policies, national policies, in older workers. As you know, the Job Training Partnership Act is undergoing some major changes right now, and the question of where older workers fit into that is one of the major questions.

The Equal Employment Opportunity Commission is getting some new leadership, and we think that is to the good for older workers given the performance in the recent past. We think that the country as a whole, both public and private organizations, are looking at health benefits and other employee benefits, and we think that that will affect the future cost of work for older persons, and the economy itself just may be going through a transition that we are all concerned about, and we hope that after a soft landing of some kind, we are going to be seeing new patterns of employment for the next 10 years, and this is going to profoundly affect the way we all live, and especially employment opportunities for older persons.

We think, Mr. Chairman, that we should be responding to the needs of the maturing work force on a demographic par with disadvantaged youth. Most of our resources in recent years, for good cause, have been directed to the needs of disadvantaged youth, and we think that this is the time for the Congress to consider a change in that proportion somewhat. We think you should be dealing with more needs for older workers.

For instance, one of the contentions in the Job Training Partnership Act is whether or not a 3 percent of the funds should be set aside for workers over the age of 55, and that may be good, but it does not solve the problem of very many millions of persons over of the age of 40 and 50 who are very real skilled in learning disabilities or disadvantageness, and who cannot really compete in the coming labor market.

We think the most urgent challenge currently, Mr. Chairman, is how to take advantage today of a relative good situation for older workers, a tight positive job situation for older workers, and effectuate a more permanent change in the job structure, so that we are not going to lose those advantages in case we do have a mild to more severe recession.

We are happy that the private market is looking into this issue, and in 1988 in June the Society for Human Resources Management, formerly the American Society for Personnel Administration, issued a report on managing the aging work force, and they had a number of very interesting points talking to themselves, talking to business, and one of their findings was a significant gap exists between what human resource professionals see as necessary to manage an aging work force, and the kinds of policies and programs currently in place. Problems created by an aging work force are already being felt by companies according to the findings of our study. Almost 47 percent of the survey companies reported experiencing moderate to very serious problems associated with managing the careers of senior employees. At the same time, a majority of the companies only had a few policies in place designed to specifically address the challenges posed by an increasing number of middle-aged and senior employees in their own work forces.

Some of the major other findings include reaction to senior employee career problems is slow. These are the managers speaking, the personnel managers. Organizations with larger proportions of employees over age 50 report more extensive senior employee career problems, but existing policy in these companies are similar to organizations with much lower proportions of senior workers. Career problems affect more than the performance and morale of senior employees. There is a spillover effect to co-workers and to customers.

And lastly, fewer than 10 percent of the organizations in this survey reported the use of policies designed to accommodate the special needs of older employees who want to stay on the job on either full-time or part-time bases. Most companies do not allow a phase in of retirement.

Finally, the report stated that a gap exists between what employers are currently doing, and what human resource professionals feels needs to be done. For almost all of the policies covered by the survey, 40 percent more of the human resource staff respondents expressed medium to high need for change in the policies of their organizations. That is, personnel people see a need for change. The managers, the bottom line people, the fiscal people perhaps in the companies, have not yet responded.

We think that the challenge, Mr. Chairman, to the private market, the Congress, and the Department of Labor, and the National Employment and Training Network, is to design further incentives and services which will serve to induce greater numbers of older employed persons to continue to work. At the same time, the same policies and program approaches should provide assistance to the unskilled and educationally disadvantaged older workforce employed or unemployed, to secure good and rewarding career positions.

In sum, the policy for the National Employment and Training System must respond to the needs of the maturing work force, and not be designed for "older workers." The goal should be treatment of the dynamics of the labor force and not consideration of the outlines of a contemporary work force snapshot. Policies in 1989 should be geared for implementation into the next century.

Mr. Chairman, over the past 25 years the Federal Government has spent billions of dollars in employment and training programs from the Manpower Act to JTPA, and our organization and many others do not think that throughout the course of these years sufficient attention was ever really given to the needs of older workers.

And by older, I am not talking about people in their 60's and 70's, but really persons above the age of 40 who have not seen a proportionate share of the resources going to these people. And given the demographics, the stubborn facts of labor market policy, and the widespread ignorance regarding older worker costs, and offsetting productivity, and the relative lack of program tools and major financial incentives, what should be our priorities? Let us suggest a couple of steps.

We think that the Department of Labor and the Congress should consider a restructuring of the Job Training Partnership Act program to provide for a two part adult title. Right now the Congress is looking at the creation of a youth title and an adult title. The problem with the adult title is it goes from age 22 to 102, whatever the top line may be, and we think there is a difference between younger workers over the age of 22, and people above the age of 40, and we think that the Congress and the Department, perhaps not this time around but the next time, the Act is reauthorized to consider an older worker, a mature worker component, at the level of half a billion dollars of action, so that the states and the local SDAs really do substantial work with the maturing work force in their communities, and not just a small set aside, as good as that may be, in behalf of people over the age of 55.

We think that the Title 5 Program under the Older Americans Act, which now serves only 1 percent of the eligible, should be increased greatly. We would love to see a 50 percent increase in that. We will hear more about that from your next panel.

We think that there is good cause, if, in fact, the mature in the work force in a place like Iowa, and New Jersey, Connecticut, many, many of the states, and my own State of Pennsylvania, that joint planning be required of the many federal programs that are going to the states around the needs of older workers. The Job Training Partnership Act, the EDWAAA Act, the Vocational Education Act Trade Adjustment, Vocational Rehabilitation, there ought to be an annual or biannual older worker training program with goals, and resources set out, so that we can see what is happening. There are such things being done for young workers. We think older workers above the age of 40 and 45 deserve the same kind of treatment.

We would like to see more Congressional review of private pension system, not only in regard to portability, reversion, over-funding, but the real nature of many of the so-called voluntary early out programs. We think they are coercive, essentially people are being pushed out, is not really voluntary for many people.

We think we need far more accurate information on older worker productivity, and employment costs, and that has got to be widely circulated to the press, to the unions, to educators, to the press, and to the public. We think the stereotyping of mature and older workers is less efficient, inflexible, unhealthy, unteachable, and appears to be the dominant posture of many hiring administrators in companies.

With only a fraction of the public education resources being dedicated to AIDS and the drug campaign, to use for these purposes, we would be well on our way toward change. Adult education and literacy assistance has got to be provided to older workers seeking to continue in work, or to get back into the labor force.

Finally we would like to see the Social Security delayed retirement benefit not wait until the year 2008 to be finally implemented up to, I guess, 8 percent, but we would like to see it telescoped into the next 5 years so that more workers would stay in the work force beyond age 62, 63, and 64, to enjoy that benefit.

We think that there has got to be a lot more flexibility in the workplace for all workers. I think the real problem with a worker at the age of 40, and 45, and 50, in a shop is that they do not have the opportunity for training, upgrading programs provided by employers is simply not presented to the older workers. They seem stuck, and they seem fatally stuck in those jobs, so that they do, in fact, get out at age 57 and 58 when they are offered an early out, or they opt for early retirement at age 62, not because they really want to, but because work life for them has really been a burden; it had no enjoyment, no challenge, in the last ten years of their work life. Let us build some flexibility and some content into their later work life.

We think that the tax code ought to be looked at, Mr. Chairman, again so that there are more incentives for both employers and workers, to get training throughout their work lives, but especially over the ages of 40 and 50, so that they continue to be competitive in their field of work, whether it be white collar, blue collar, or new collar.

And lastly, we think the Federal Government should be aggressively promoting job redesign techniques to assist persons with mild to significant physical or mental limitations, to continue to work at a productive work, or to return to productive work.

Mr. Chairman, just to conclude, we do not think we should be waiting to age 55, or 60, or 65, to deal with the needs of the maturing work force in this economy. The problems begin to set in at age 40, and 45, and 50. We are all geared to think about people in their 50's and 60's. We ought to be thinking about their needs in their 40's and early 50's, because that is when the problems of an aging work force really begin.

I would be happy to take any questions.

[The prepared statement of Mr. Schulder follows:]

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RETIREES IN THE WORKFORCE

Testimony of

Daniel J. Schulder
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The National Council on the Aging, Inc.

Before the
Subcommittee on Retirement Income and Employment
House Select Committee on Aging

Washington, D.C.

September 13, 1989

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Mr. Chairman, my name is Daniel Schulder and I am responsible for the public policy initiatives of The National Council on the Aging. NCOA is a private, non-profit organization working to meet the current and emerging needs of older persons and to tap the vast human resource they can offer the nation as a whole.

Our members are largely local and community public and non-profit private agencies providing a range of services including employment assistance, senior center activities, long-term care, adult day care, housing, care givers assistance and intergenerational programming.

We are a resource for program development, research, training, technical assistance and publications on all aspects of aging.

I am pleased, Mr. Chairman, to present some thoughts and recommendations regarding improvements in the utilization of mature and older workers and in dealing with the impediments to such utilization.

This is exactly the right time for this Committee and the Congress to assess the impact of the aging of our workforce. The Congress is considering a major restructuring of the Job Training Partnership Act. The Equal Employment Opportunity Commission is undergoing a change in leadership, a change we believe for the good of older workers. The conditions and direction of worker retirement benefits, including pension and health insurance, is receiving intense attention from business, labor and the Federal government. And finally, the economy, itself, may be at the point of slowing and, hopefully, after a "soft landing," may be off into new patterns which will profoundly affect all of our lives and the employment opportunities of America's older workers.

Mr. Chairman, as you review efforts to employ older workers in a variety of opportunities, I urge you to consider the broader and more salient topic of the maturing of the work force as a whole. Young people and immigrant workers are simply not available to fill our job needs.

Since 1983, the number of persons above age 45 in the workforce has been increasing from about 33 million to about 36 million today. There remain almost 4 million persons above age 65 still employed and data indicate that there is a slowing of work force withdrawal, at least for older men, over the past two or three years.

We should be responding to the needs of the maturing work force on a demographic par with disadvantaged youth. That level of response is not legitimately satisfied by minimal "older worker" set asides. Assigning 3% or more of JTPA resources to older workers does little to equip millions of workers above the age of 40 who have low educational and skill attainments for the current and emerging technological labor market.

I should say for the record that NCOA has been engaged in expanding employment and training opportunities for older

Americans for almost forty years.

From our founding in 1950, NCOA has held that work is no less important for mature and older workers than it is for the young. Work is a key to our sense of self and our struggle to contribute to our families ahnd our communities through our skills and our energies.

To express this value, NCOA has engaged in scores of employment, training, economic development, counseling and assessment and vocational education programs across the nation. We have been in the forefront of developing and disseminating a system of functional assessment of middle-aged and older job seekers and matching these qualifications with employer needs.

We were among the earliest supporters of the Age Discrimination in Employment Act, and we have worked for the passage of complimentary legislation in the states.

We published the only technical journal specializing on older workers, **Aging and Work**, and we expect to resume publication in the future. Currently, NCOA administers the Prime Time Productivity Program, under a major grant from the Department of Labor. The Prime Time Program is assisting the business and training community to effectively utilize older workers. We publish a technical newsletter, **Aging Workforce**, which explores innovative corporate and public policy responses to the needs and potentials of America's mature and older workers.

We also administer one of the largest Title V Older

Americans Act national programs providing work and training opportunities to nearly 10,000 older workers annually in 63 projects in 21 states. And, Mr. Chairman, almost all of our Title V programs have working agreements with their Job Training Partnership Act state and local counterparts.

The "graying of the workforce" does not take us by surprise. Three years ago, at a hearing of this House Committee on Aging, we helped to identify the trade deficit and widespread plant closings and manufacturing cutbacks as especially damaging to middle-aged and older workers. That hearing was keyed to Bureau of Labor Statistics analysis of the the problems of the millions of dislocated workers who lost their jobs between 1979 and 1984.

Martin Zeigler, Deputy Associate Commissioner of the Bureau of Labor Statistics, noted that:

> "About 60 percent of the entire universe of 5.1 million displaced workers had become reemployed by January, 1984. About 25 percent were unemployed when surveyed and the balance had left the labor force--that is, they were neither working nor looking for work. The situation for the older displaced workers was very different. Among the 750,000 in ages 55 to 64 years, only two-fifths were working again at the time of the survey. Almost one-third were unemployed--the highest proportion of any age group studied. Over one-fourth were no longer in the labor force. Among the 190,000 displaced workers 65 years and over, only one-fifth were working again in January 1984, just over a tenth were

> unemployed and two-thirds were out of the labor force."

At the same hearing, Commissioner Zeigler pointed out that:

> "Research done at the BLS using these data show that unemployed men age 55 and over are considerably more likely than younger men to end a period of unemployment by leaving the labor force rather than finding a job. . . . For persons who are displaced from long-term jobs, withdrawal from the job market also may be less a matter of choice than a necessary response to a poor job outlook or failed job search.
>
> We do know that older persons make up a sizeable share of displaced workers and that, as a group, they do relatively poorly in terms of the probability of future employment."

And, while the overall employment picture has clearly improved since that hearing, the deep problems of older workers persist. BLS reports that older men still have the longest periods of unemployment among all unemployed workers.

And despite the apparent strength of the labor market, the continued problems of older unemployed persons, displaced homemakers and older discouraged workers may constitute the profile of the older poor of the 1990s and early 21st century. For persons over the age of 50 or 60, unemployment means loss of health benefits and savings, possible loss of pension rights, a higher incidence of health problems and reduced Social Security benefits. Unless we deal decisively with this problem, states which have experienced the greatest job dislocation over the past decade will become the locales of increased future need for SSI and Medicaid, assisted housing and other income and service support needed by dependent older persons.

If the next movement of the business cycle results in further displacement of older workers, we must become prepared to intervene before new pools of long-term older unemployed persons are created.

Mr. Chairman, the current challenge is how we can translate the current short-term positive job situation for many mature and older workers into more permanent job opportunity structures that will endure beyond the current cycle. The same marketplace which now provides some opportunity for older persons can, just as quickly, return mature persons to economic obsolescence as the recession of 1982-84 demonstrated.

We can't create more 18 year olds but we can deal with both current shortages and with long-term labor market needs through new policies for expanded utilization of older workers over the next ten to twenty years. If we don't, we commit economic folly of great proportions.

Summary of the Current Situation

In 1983, as part of the 1983 Social Security Reform package, Congress signaled an intention to slow or reduce the pattern of early retirement. It gradually increased the retirement age for "full" benefits to age 67, starting in the year 2000, and actuarially increased the "penalty" for retiring at ages 62 to

65. In addition, the Congress increased the deferred retirement benefit from 3% to 8% over the period of 2000 to 2009. It also lessened the benefit reduction for continuing to work at ages 62 to 70.

The same reform package introduced an income tax on Social Security benefits for the first time.

Thus far, the Congress has not acted on proposals to consider some form of pension portability, but it has enhanced pension vesting opportunities.

These modest changes in tax and benefits policies have not been matched by shifts in federal employment programs which might assist in deferring retirement or in enhancing skills toward greater employability.

The relatively sudden labor force demographic shifts of the past decade have commanded the attention of both business and public officials. The absolute decline in young persons entering the workforce, together with the continued early retirement trend, has occasioned reexamination of both public and private employment and training policies.

A trenchant example of private sector human resource review of the implications of the aging of the labor force is reflected in the June, 1988 American Society for Personnel Administration report on "Managing the Aging Workforce." ASPA summarized those findings by stating:

> "A significant gap exists between what HR professionals see as necessary to manage an aging work force and the kinds of

policies and programs currently in place. Problems created by an aging work force are already being felt by companies, according to findings from the 1988 ASPA/CCH survey. Almost half (47 percent) of the survey companies reported experiencing moderate to very serious problems associated with managing the careers of senior employees. At the same time, a majority of the companies only have a few policies in place designed to specifically address the challenges posed by an increasing number of middle aged and senior employees in the work force.

Other major findings from the ASPA/CCH Survey include:

- Reaction to senior employee career problems is slow. Organizations with larger proportions of employees over age 50 report more extensive senior employee career problems, but existing policies in these companies are similar to organizations with much lower proportions of senior workers.
- Career problems affect more than the performance and morale of senior employees. There is a spillover effect to coworkers and customers.
- Respondents attribute the causes of career problems to senior employee loss of motivation or complacence, but they feel organizations should still implement HR policies to help.
- Special training methods can be used to overcome the difficulties senior workers may experience in learning

new skills.

- About one-third of the survey organizations reported having an informal philosophy that retirement at or before age 65 is in the best interest of both the employee and the organization.
- Top management support for innovative retirement policies is low.
- Retirement policy problems center mainly around two issues--how to encourage poor performers to leave and how to accomodate the desires of good performers to stay on as contributors.
- Fewer than 10 percent of the organizations reported the use of polices designed to accomodate the special needs of older employees who want to stay on the job on either a full-time or part-time basis. Most companies do not allow a phase-in of retirement.

Moreover, the same report stated that "a gap exists between what employers currently are doing and what human resource professionals feel needs to be done. . . . For almost all of the policies covered by the survey, forty percent or more of the (human resource staff) respondents expressed medium to high need for changes in the policies in their organizations."

Mid-sized and larger businesses have not significantly altered early-out retirement offers directed to older staff. At the same time, small businesses, especially retail, services and food establishments, have been forced to change staffing and training policies because of the decline of young workers and the need to attract the only other available large pool of workers--older persons.

While American business spends upwards of $50 billion in training activities for employees, relatively little is directed to older staff or to such age-related tasks as job redesign and counseling assistance for employees of all ages. The appparent acceleration in technical job content and the need to maintain skill relevancy has not yet attracted the full attention of either American business or Federal and state employment and training agencies. However, the near-term labor force growth rate of 1% in the face of a 2% to 4% expansion pace of the economy, with the attendant inflationary pressures, will require consideration of new policy directions in the near future.

Attempts to shift values from an "institutionalized" early retirement ethos reinforced by widespread age bias and older worker stereotyping will require carefully synchronized approaches.

It is not likely that the age for full Social Security retirement benefits will be further pushed back in this century. However, changes in tax policy, such as further and deeper taxation of Social Security and Medicare benefits are plausible. The new, tax-based Medicare supplemental premiums are examples of such trends. There is a strong trend in private sector retirement health benefits toward cutbacks. The effects of these developments may be to induce delays in retirement or decisions to return to active labor force status.

The challenge to the private market, the Congress, the Department of Labor and the national employment and training network is to design further incentives and services which will serve to induce greater numbers of older employed workers to continue to work. At the same time, these same policies and program approaches should provide assistance to the unskilled and educationally disadvantaged older work force, employed or unemployed, to secure good and rewarding career positions.

In sum, the policy for the national employment and training system must respond to the needs of the maturing labor force--and not be designed for "older workers." The goal should be treatment of the dynamics of the labor force and not consideration of the outlines of a contemporary snapshot. Policies considered in 1989 should be geared for implementation well into the next century.

Several important points should be considered in the design of policy.

1. The older the worker cohort, the greater likelihood of skill and educational decrement. This axiom is historically consistent with experience and can be projected into the future.
2. The continued growth in the mature and older labor force will consist largely of women, Hispanics and lower skilled reentrants, both minority and non-minority.

3. Pension and health benefit coverage of the current and projected mature workforce will be constant or will decline.
4. The demographics of the mature workforce (ages 40-60) suggest a limited pool over the next decade.
5. Because of such demographics, and the continued relatively low rates of labor force participation of men and women ages 63-70, prime targets of policies and programs should include currently employed persons aged 40-65, especially those at risk with marginal skills or in rapidly changing economic sectors affected by technology, market shifts and trade competition. This suggests an upgrading and skills enhancement ratio to unemployed older workers of at least 50%-50% or higher. In contrast, JTPA and Title V are statutorily directed to unemployed persons. At the same time, continued public policy pressures (taxing of benefits, delays in full retirement benefits, cutbacks in entitlement benefits) could result in greater numbers of currently retired persons seeking a return to full--or part-time--employment. Any new mature workforce employment and training system should contain sufficient flexibility to respond to changing labor force participation rates, patterns and desires.
6. The needs and qualities of mature workers, roughly those 40 and above or those with substantial job

experience (10 years or more), are qualitatively different from the needs of young workers and new entrants. These differences, in general, are more salient than issues of race, class and education.

7. Employer (and general public) misinformation regarding older workers (especially employment costs, health status, learning abilities and adaptability), and attendant bias in employment decisions, are a major factor in current labor market dynamics and render ineffective most JTPA and related employment and training systems based on placement performance standards. These factors have historically guaranteed both creaming of high potential older candidates and limited job assistance with few basic skill and educational components.

Over the past quarter century, the Federal governbment has invested billions in employment and training programs from MDTA to JTPA. NCOA believes that all of the major initiatives have failed to adequately serve older adults because of the dominance of these factors. We believe that more experience-driven reconstitution of policies and resources is required.

Given the demographics, the stubborn facts of market policy, the wide-spread ignorance regarding older worker costs and offsetting productivity and the relative lack of program tools and major financial incentives, what should be our priorities. Allow me to suggest some steps:

We should concentrate our efforts toward two related goals.

1. What public and private policies and incentives will result in a decision by older persons to work longer?
2. How can we reemploy mature and older unemployed workers and employ older new entrants or reentrants to the labor force such as displaced homemakers?

As a context to these goals, we must also consider the needs of older workers who may be disadvantaged as a consequence of income, lack of skills and education, lifetime racial discrimination, illiteracy and/or lack of English, or health and disability limitations.

Some summary steps could include:

1. The Congress and the Department of Labor should consider a restructuring of the JTPA program to provide for a two-part adult title. Part A of such an adult title would be designed to serve younger adult workers from age 22 through 39. Part B would be directed to the needs of workers age 40 and above and would utilize agencies, techniques and approaches appropriate to the needs and experiences of older adults.
2. Congress should consider a marked increase in the Title V, OAA program of at least 50 percent above current levels. We can currently serve only 1 percent of the eligibles. With a 50 percent increase of about $170 million, we could markedly expand our activities and turn significant resources to assist in the design of

more on-the-job programs with private employers. It is basic corporate policy that we have to change and not exhaust efforts to simply relieve current worker shortage problems. Expanded direct company initiatives, such as Section 502, on-the-job projects, will have a better chance of affecting company practice and policy for the longer term.

3. Federal law should mandate joint planning requirements at the state level for the administration of Title V, JTPA, EDWAAA, adult and vocational education, trade adjustment assistance and vocational rehabilitation. We should have an annual or biannual state older worker plan and program that weaves these statutes into a pattern of targeted and flexible servides to older workers of all income levels. I would leave the planning responsibilities to the states under Federal standards encouraging integrated administration.
4. We recommended that the Congress initiate a major examination of the private pension system not only in regard to reversion and overfunding but also the coercive aspects of many "voluntary" early out plans.
5. Accurate information on older worker productivity and employment costs has got to be widely circulated to busi[illegible] trade unions, educators, the press and the public. Stereotyping of mature and older workers as less efficient, inflexible, unhealthy and unteachable

still appears to be the dominant posture of many personnel administrators. If only a fraction of the public education resources being dedicated to AIDS and drugs were used for these purposes, we would be well on our way toward change.

6. Adult education and literacy assistance for older adults working or seeking work should be upgraded. English language training of large numbers of non-English speaking older citizens seeking work is even more strained because of the increases in Hispanic, Asian and other younger immigration groups.
7. Social Security payments will be increased to reward delayed retirement. The current bonus of 3 percent does not reflect the true savings to Social Security of such delayed retirement. We do not seek why the final increase to 8 percent should be delayed to the year 2008. We urge that the increase be telescoped into the next five years as a major incentive to continued worklife. We also urge that the Congress reconsider the 1983 decision to push back the age for full Social Security benefits to age 67. We don't think that the evidence shows that the increased benefit penalties at ages 62-66 will provide incentives to remain in the workforce. We believe the delayed benefits will tend to discriminate against those in stressful and physical occupations and those with disabilities who

will still be forced to retire early.

8. We have got to build flexibility into the workplace for all workers. We can do that with lifelong training, periodic assessments which can lead to new challenges and assignments, retirement experimentation including phased or trial retirement and effective pension portability.

9. The Congress should consider changes in the tax code to provide both employer and worker incentives to maintain skills into late life. Such incentives could reward employers who provide training to employees above the ages of 40 and 50 with a differential incentive for retraining and retaining older staff. This would be a far more efficient approach than the costs of recruiting and retraining a long-term unemployed older worker.

10. Create, through JTPA, EDWAAA or Perkins Act resources, regional "Mature American Worker Resource Centers" which could:
    a. At low or no cost, perform an "age audit" on a work force at the request of the organization.
    b. Identify company human resource and benefit policies which tend to underutilize and/or discriminate against mature workers.
    c. Propose employment practices and policies which will tend to maximize older workers on staff or

those who could be recruited and hired.

d. Assist employers (public and private) and unions in utilizing Federal, state and private technical resources to better utilize mature workers.

e. Transfer consultation and training experiences to community colleges, PICs, SDAs, private human resource groups and other organizations.

f. Analyze experiential data for publication and use by public agencies, employers, Congress and the Federal government.

g. Help design Eldercare employer programs.

h. Challenge stereotypical mature worker images.

ii. The Federal government should be aggressively promoting job redesign techniques to assist persons with mild to significant physical or mental limitations to continue at, or return to, productive work.

Mr. Chairman, I hope that our comments and recommendations will be of use to you and this Committee. We believe that they make good sense for workers, employers, unions, educators, employment and training agencies and government. We believe that good labor market policy for older workers adds up to good policy for all.

Thank you for your interest in these thoughts.

Mr. HUGHES. Thank you, Mr. Schulder.

Ms. Golding, there presently is a 3 percent set aside for older workers under Title 2A of the Job Training Partnership Act for economically disadvantaged adults and youth. The Department of Labor, as I understand it, supports eliminating the set aside. I wonder if you can explain the rationale.

Ms. GOLDING. Yes. The issue is not should older workers be a target group under JTPA because we feel they should be. The issue is should we set aside funds at the state level, or should we try to push that money down to the local level where the services are actually provided. And what we have tried to do with the Administration proposal for JTPA is to push more money down to that local level, so that older workers can get services.

We have also tried to target JTPA to the population that is most in need. In other words, not just serving the economically disadvantaged population generally, but targeting on those who genuinely have some barrier between them and employment. And what we have done is to add older worker status to the list of barriers to employment.

We think that the net result of this, pushing more money down to the local level, and putting older workers on the targeting list, will be to increase the amount of service to older workers, and to get them on that targeting list.

Right now older workers are being served under Title 2 of JTPA; about 3 to 4 percent of the participants are workers age 55 and older, or about 17,000 people. We would like to see that increase, but we would like to see it through——

Mr. HUGHES. How much of the 3 percent set aside is utilized?

Ms. GOLDING. That has been a problem for a number of years although the situation is improving. The last year for which we have complete data, about 70 percent of the 3 percent set aside money was used.

Mr. HUGHES. How are you going to get more of a targeting of older Americans by eliminating the set aside, and as you say, pushing it down so that the communities have more available? Would they not have it available in any event?

Ms. GOLDING. There is a question of how much money of the money that is set aside at the state level does today actually reach the local level, and that may have something to do with the fact that that money has tended to be underutilized. The money that is actually passed down through the local level currently under JTPA, about 80 to 83 percent of that is spent at the current time, so the proportion of money used of the expenditure rate is a little faster for that money that gets all the way down to the local level.

Mr. HUGHES. Mr. Enoff, I appreciate your sharing with us, among other things, the advantages and the disadvantages of the earnings test, but I did not hear you say where you came down on the issue.

Mr. ENOFF. Well, you have heard the advantages, and we have been studying that, and because we have not been able to come up with a way that would not involve significant short-term cost, the Administration currently is not supporting any legislation in this area.

Mr. HUGHES. So the good news is that you understand the advantages and disadvantages. The bad news is that you are not prepared to take a position on it.

Mr. ENOFF. Well, the position we have to take on those bills that we have seen, because the costs have been in the neighborhoods of $5 billion a year——

Mr. HUGHES. Well, let me invite you to take a good look at what Mr. Tauke and I are trying to do. I mean, we recognize that among other things, it is a money issue. But we have a problem. We have a lot of older Americans that have a tremendous amount to offer, and one of the disincentives that we believe is out there is this penalty that they perceive exists, that if they go back and work in an area that they are going to lose a dollar for every two dollars they earn. That is a disincentive.

We also have a major problem in this country of trying to find child care providers, and what better resource do we have out there than older Americans who have lived for the most part a very productive life, who love children, have a great deal to offer, and who would often provide that special relationship which older Americans can provide to children. Why not attempt to bring these two concepts together? The costs would not be that much, and you would be addressing one of our major shortfalls, a lack of appropriate child care providers. At the same time, it would encourage more Americans who are very productive to get back into the work force. Why should we not be utilizing that technique to try to focus in on older Americans who can be very productive in an important area of endeavor?

Mr. ENOFF. I certainly would agree with the idea of trying to use the older workers in the child care area, but I think as we have even seen today, the problem that we run into, Mr. Chairman, is that how do we pinpoint one area. We have heard today the idea of elder care, which is certainly another very necessary area, and where our older workers could help. And other areas that would be suggested, and once we create that precedent, I wonder how we would draw the ring around that in terms of where do we stop?

Mr. HUGHES. Well, it seems to me that we are moving in that direction anyway. A few years ago we indicated that if you are 70 or above we are not going to have an earnings test. We recognize that in the future we are going to be reexamining that.

Mr. ENOFF. That is correct.

Mr. HUGHES. So why not try to do it in a focused fashion, and identify areas of endeavor where older Americans could provide a tremendous amount of expertise, and carve out some exceptions. Why would that be a bad precedent?

Mr. ENOFF. Well, another problem with it, and as I say, I do not disagree with the principle, but the problem of implementing is again how we would then implement something like that where we would have to take a different effect on the person's earnings because of the particular way they are employed.

There are some difficulties with implementing that, how far does child care—how do I define that? Who would define that? Do I have to get a certification that this person worked in child care, and therefore was not subject to the earnings test?

Mr. HUGHES. We do that all the time, and, you know, we are now in the 20th Century, approaching the 21st Century, and with data processing, and the ability to——

Mr. ENOFF. I do not disagree with the concept. What I am saying is that if we could eliminate the earnings test completely we would all agree. If we could find a way of doing that within the constraints of the budget, the problems that we have would be administering a piecemeal approach. I am not saying it is impossible, but we have not seen a way to do that, and this is a relatively new idea.

Mr. HUGHES. Well, we have a vote on, and my time is up. Would the gentleman from Iowa like to go back, recess now, come back, and take your questions then?

Mr. TAUKE. I think I can ask my questions before we go, and then the panel would not have to wait.

I think the last statement clarified what I understood to be your position, and that is that in principle you like the idea of eliminating the earnings test, but you have got a budgetary problem. Is that a fair assessment?

Mr. ENOFF. I think that is a fair assessment.

Mr. TAUKE. I think it is important to note when we talk about the earnings test it is not just that if you earn two dollars that you lose one in Social Security. It is that you earn two dollars, you lose one, but you pay taxes on two.

Mr. ENOFF. That is correct.

Mr. TAUKE. And, while the words "catastrophic health insurance" have not been uttered yet today, that has highlighted the problem of paying taxes on two dollars when you have earned a dollar, or if you are only taking home a dollar. So, it is a problem of equity and fairness. We need to figure out a way to address it.

Let me focus on a couple of other issues quickly, however. The Department of Labor apparently wants to encourage states and local agencies to coordinate JTPA and Title 5. As you indicated in testimony, we found problems that arise in attempting to coordinate these programs. For example, the performance standards for JTPA and Title 5 of the Older Americans Act oftentimes conflict with one another. JTPA, for example, requires full-time employment in order to count the placement as successful, while Title 5 allows for only part-time employment. JTPA requires that program participants receive above the minimum wage, and Title 5 provides that participants earn not more than the minimum wage. Thus, JTPA trained workers placed in Title 5 jobs cannot count for JTPA performance standards.

I wonder if you have any recommendations on ways to improve coordination of those programs, if the Department is doing anything about it, if there is something we can do to help the coordination?

Ms. GOLDING. You have put your finger on a very real problem where the two conflicting objectives made the kinds of local projects that you are hearing about today very difficult to do. On the other hand, as part of our JTPA proposal, we are proposing significant changes to the performance measurements in JTPA, to give more emphasis to the extra help and supportive services, and more intensive training and work experience, and that workers who are most at risk need, and I think older workers certainly fall into that category.

We are going to be regearing the performance measurement system to give more credit to work experience, to intensive supportive services, and training that is targeted to the identified needs of the worker as he comes into the JTPA program, whatever his or her age. So I think we are moving towards solving that very real problem.

Mr. TAUKE. And one other thing I would mention is that everybody I know wants a piece of the JTPA funds. All of a sudden that has become a fairly popular game, what chunk of the money can you get? There are two areas that seem to need a little more emphasis. One has been in the area of placing an emphasis on the education and training of older women. It is different, I think, for somebody to attempt to re-enter the workforce after a period of time of raising children, than it is to move from one job to another and get retraining. And, for that reason it seems to me that displaced homemakers, who may maybe are forced out because of death, or divorce of a spouse, or maybe just because children have grown, and should be emphasized.

The second one I guess is related to that, and that is farmers or others who have to change occupation and lifestyle completely. I know in our state when we went through the farm crisis of the 1980's we saw how difficult it is to move somebody out of a way of life to a new way of life. It is much different from moving him from one job and retraining him for another. And I hope that JTPA, which I think is very good at retraining for a new job, can also spend a little more time focusing on how you change lifestyles, if you will, as part of preparation for a new job. That is more of a comment than a question.

Ms. GOLDING. Now, I think your point is valid about needing a JTPA that focuses more on the individual needs a person has, including a displaced homemaker, and gears the necessary supportive services and training package to help address those special needs, and that is one reason why we are asking for an adult title separate from a youth title, so that we can distinguish between the techniques that work for those two different populations. But also in both titles we are focusing on a front end assessment of exactly what that person needs.

Mr. TAUKE. Thank you. Thank you, Mr. Chairman. I thank the panelists.

Mr. HUGHES. Thank you. We will stand in recess for about 10 minutes while we catch this vote. We will be back for any members that want to question the panel.

Mr. TAUKE. Mr. Chairman, just one thing before we recess. I would like to ask unanimous consent that a statement from Senator Roth relating to his successful amendment of the Child Care Bill in the Senate to exempt child care earnings from the Social Security earnings limitation, be included in the record.

Mr. HUGHES. Without objection. So ordered.

We are recessed.

[Recess]

Mr. HUGHES. Does the gentleman from Iowa have any further questions at this point?

Mr. Enoff, what recommendations does Social Security have for encouraging more workers to remain in the labor force?

Mr. **Enoff**. What recommendations would we have? Well, I think there is built into the 1983 agreement some easing of the retirement test. One for two goes to one for three. Those were the bipartisan agreements that were reached in 1983. We have not come up with any other. As I indicated, all of the various proposals that we have been able to look at have such short-term costs that they impact on the budget, the deficit situation, in a way at this point do not have any proposals.

Mr. **Hughes**. Does the Social Security Administration have any studies underway on this subject?

Mr. **Enoff**. We have done some studies, Mr. Chairman. The big problem here, I might say, is trying to determine the number of people who would, in fact, change their behavior and come back into the work force. There is just no predictor, there is no experience to use as a predictor for that, and also trying to determine how much underground economy is taking place, and how much of that we could do, or make legal, if you will, if we could change that, and we just have not been able to come up with any data working with Treasury, and the tax people.

Mr. **Hughes**. Have we tried?

Mr. **Enoff**. We have tried to come up with data, yes.

Mr. **Hughes**. What I'm getting at is that I get the impression the factors that go into whether an older person goes back into the work force are somewhat complex. I think it is governed by what kind of income they have, what their health is at a given time, economic incentives certainly play a role, but it seems to me that we need to be doing a far better job than what we have done to date in trying to find out how we can get older Americans back into the mainstream of life.

Mr. **Enoff**. I think that this data that was referred to earlier from the Labor Department is an interesting change in trends, and it does tend to corroborate, I guess, the new beneficiary survey indication that the earnings test did not play that significant a role in that decision, but it is so difficult to separate that out.

Mr. **Hughes**. Well, I would like to see the studies, and I would like to see the methodology, because my own experience would not bear that out. It is a factor. I don't know how serious a factor it is, but I know it is a factor.

Mr. **Enoff**. A factor.

Mr. **Hughes**. It is a factor.

Mr. **Enoff**. I do not disagree that it is a factor.

Mr. **Hughes**. It is enough of a factor that it is mentioned many times to me by my constituents. I cannot believe that my district is not typical with what is happening around the country. There might be shades of difference, but——

Mr. **Enoff**. We will be glad to share what we have from that new beneficiary survey with you, and certainly if there are any trends when we can analyze this latest data that comes in the next couple of months from Labor that indicates a flattening, or actually an increase in the number of older workers, if we then perhaps could go back and do a survey of those workers at some point soon to determine what were the factors, why did they come back to work.

Mr. **Hughes**. Well, I think we have to decide whether it is important for us to develop some new initiatives to try to get more older Americans back into the work force. If we decide that it is important, and I think we should, then we ought to try to get as much data as we can to see just what factors influence the decisions of older persons to leave the work force. If there are institutional reasons for them leaving the work force, then I think we need to try to develop programs and strategies to deal with it, just like we do in any other discipline.

Mr. **Enoff**. I think as we talked about it some of the gearing of the private pension plans, generally speaking, if you have 25 years in the private pension working longer than that, does not increase substantially your retirement, so that when you hit X point, if that happens to be 62, or 63, or 64, continuing to work does not increase your computation for pension. That is one of the factors certainly, we think. That person says, "well, you know, I am not making as much in effect because I am not contributing to that."

Mr. **Hughes**. But something else is happening today. People are making mid course corrections. They are embarking upon new careers more than they ever did. Some have to. Some are doing it by choice. I mean, our adult education classes are very popular. People are attempting to further their education, developing new skills. They often want to go into new areas, and why should we not attempt to match labor market needs, such as in the child care area, to that desire to get older Americans who have so much to offer, back into the work force. Why should we not be doing that by way of strategy?

Mr. **Enoff**. I do not have any disagreement with trying to match them. I guess my only concern again it would be a massive elimination of something like the earnings test, or to try and administer a way of picking and choosing. I think we need to——

Mr. **Hughes**. Well, we ought to at least try a surgical way of modifying the earnings test by identifying those areas where we need help. For instance, in the area of nursing a lot of older workers have left the work force who are skilled nurse practitioners. Yet, there is a tremendous need. I am not locked into just child care. That happens to be one of the hottest issues on Capitol Hill, and I thought that would be an ideal way to focus in on a strategy to get older Americans back into the work force. But I could see a whole host of areas where we could decide as a matter of public policy that we want to provide incentives. We would not do a great deal of violence to our fiscal policies by eliminating the earning test surgically, until we get to that point where one of these days we will eliminate it entirely.

But, you know, Mr. Tauke and I are realists. We know that is not going to happen in the immediate future. So we watch people's lips very carefully here on the Hill, and we know we are going to have problems for a while, and so as a result you do it surgically.

We have a major shortfall in the area of elderly care, such as Jan Meyers was talking about. Then, why should we not as a matter of public policy, attempt to motivate those who have special skills to get back into the work force to deal with those problems?

Particularly when we see that fewer young people are coming into the work force proportionately. If we are to remain competitive we are going to have to motivate older Americans to stay active.

Mr. Schulder, I did not mean to neglect you. We appreciate your testimony. Let me hear from you as to what you think we can be doing more in the Job Training Partnership Act besides creating that two part adult tier that you talk about. What else can we be doing?

Mr. SCHULDER. Well, let me illustrate some of the problems in the Job Training Partnership Act, a network that really simply reflects the broader market.

In California our organization, the National Council on the Aging sponsors a Job Training Partnership Act program, and among the supportive services that workers can receive getting training is day care. That is what it says in the list of supportive services. So when our program in working with older workers in their 50's, and 60's, and above, went to the service delivery area, the agency running the program, and said we would like to utilize adult day care so that the adult parents of some of our trainees, that is, people literally in their 70's who are 58 year old workers are taking care of at home, could be provided with a day care service during the day to allow them to get Job Training Partnership Act training. Of course, the SDA said, "no, day care means children's day care, not adult day care," although that is not what the regulation said. Well, we solved the problem eventually so that, in fact, some of the older workers who are taking care of their very elderly parents or relatives, now can utilize adult day care as a supportive service under JTPA.

My point is I did hear what the Secretary did say. We still think that you do need some coercion, if you will, that is, some set aside, some mandated amount of money rather than participants, to make the system respond, and I think you will be hearing more about that from your next panel, I gather.

The 3 percent set aside took 3 or 4 years before it began to spend each year's allocation. That is, it was behind as the rest of the program was behind in spending. But in the last, I understand, 2 or 3 years it is now spending more of each year's allocation, but it is still stuck with the problem of spending the carryover funds from the set aside from previous years, but in most states they are now spending at least 100 percent of the allocation for that year or more. The system is beginning to work. There are many hundreds of Title 5 programs now working with JTPA programs around the country, and those are in jeopardy if the 3 percent set aside goes down the tubes, as it may well in the work of the Congress.

We think that the Congress might consider the following. Why not deem as eligible for JTPA anybody eligible for a Title 5 program, or enrolled in a Title 5 program, and simply make it clean. If you are in a Title 5 program you are deemed eligible for a JTPA space.

Mr. HUGHES. Why should we not do that, Ms. Golding? Why should we not be doing that?

Ms. GOLDING. It may be that we have. We tried to cross-reference in our JTPA proposal all the related programs who have similar definitions of what economically disadvantaged is. For example, on the youth end those eligible for the school lunch program and the people who are eligible for the welfare—the successor to AFDC, the JOBS program, are automatically eligible, and it may be that Title 5 is in there. I am looking around to see if there is someone who could answer that question. I will check on that.

Mr. SCHULDER. Part of the problem is that the Title 5 program has 125 percent of poverty requirement, and the JTPA program basically has 100 percent of poverty, although about 70 percent of the Title 5 enrollees nationally are at 100 percent of poverty or below. They are, in fact, low income people, and largely women, and many minorities. We think it would really enhance coordination if you just did that.

Incidentally, we are working with the Department under a contract and a grant called Prime Time Productivity, to affect these kinds of unions around the country between Title 5, JTPA, vocational education, private efforts, and other public efforts, and it is a very fruitful relationship. We think, however, that the law itself, and the Congress, could go a bit further in enhancing resources and coordination.

But again, I think that the Job Training Partnership Act network, and I am talking about the administrators around the country, reflect the broader market, so if many, many personnel managers think that older workers cannot learn, cannot be trained, are not adaptable, are not productive, that really gets reflected back unfortunately into the Job Training Partnership Act network, and they are reluctant to recruit older workers because they are nervous about ever placing them, and thereby losing on the performance standards in the Job Training Partnership Act program.

The Department is considering some changes in those performance standards as it may affect older workers, and displaced homemakers, and farmers, I believe, are also going to be—that is, displaced farm families, so that the performance standards for those groups may be different. But there is a whole complex of things that really have to be dealt with, it seems to me.

You do not, for instance, take five people over the age of 50 and put them into a group of teenagers and train them and expect these five adults in their 50's to respond to the same kind of training methods and patterns that young people have, and that is why the Department wisely, and the Congress, I think, will wisely separate it into an adult title and a youth title. On the other hand, the adult title is ages 22 to 102, and we think there is a real difference between people in their late 20's, or mid 20's, and people in their 40's and 50's, and would like to see a further, if you will, convenient and flexible separation into an A and B so that workers—so that SDAs and states can look at a broader group of people in their 40's, 50's, and above, and design training techniques, and placement techniques, and recruitment for this broader range of older workers.

The program will work, and the market is causing the program to work better. As we have heard now, we have had fewer teenagers come into the labor market. Companies are out recruiting older workers. Hopefully that will continue into the longer term. We would just like to make it a more efficient system so that it is not so arduous; the market process is often very rough. We think policies can ease it so that older workers, and again older in our viewpoint is not just people over 55 or 65, but people in their 40's and above, we would like to see older workers in a smoother way get into those jobs, and retain those jobs. Keeping the worker on the job though, making sure the 50 year old who is about to be laid off, is equipped to stay on the job is as equally an important target, it seems to me, as taking the unemployed 58 year old eight years later and getting the job.

Unfortunately, our policies and programs do not deal with the worker in jeopardy, and it does not really provide training so that they can stay on the job under current law.

Mr. HUGHES. Thank you. Thank you very much.

I have no further questions. I would say to the panel we appreciate your testimony. We may want to address some other questions to you, and we will keep the record open for a couple weeks so that we can receive your answers. Thank you very much.

Mr. SCHULDER. Thank you.

Mr. HUGHES. You have made a significant contribution.

Our second panel today consists of the Honorable Robert Menendez, who is the Mayor of Union City, New Jersey; Alice Obelleiro, Director of New Jersey Department of Senior Employment Services; Dana Berry, the Project Director, Union City, New Jersey Day Care Center; and Barbara Willer, Public Affairs Director, National Association for the Education of Young Children.

We welcome you here today. We have your statements, which, without objection, will be made a part of the record, and we hope that you can summarize for us. We have read your statements. They are excellent. They are right on target, and we are going to begin with you, Mayor Menendez. Welcome.

STATEMENT OF THE HON. ROBERT MENENDEZ, MAYOR, UNION CITY, NEW JERSEY

Mr. MENENDEZ. Thank you, Mr. Chairman. It is a pleasure to be here with you, and the members of the subcommittee who have been here.

I am accompanied today by Ms. Dana Berry, as you have pointed out, who is a Project Director of the Union City Day Care Program, and who also will be presenting testimony to you about her model paraprofessional training program for older workers, and both Dana and I very much appreciate the opportunity to appear before the subcommittee and to share insights that we both have gained as a direct result of our involvement with older workers in the Union City Day Care Program.

Dana is justifiably proud of our intergenerational program, and so am I, so I am going to try to cut my comments short, Mr. Chairman, so that maybe you will consider giving her some of my time.

If anyone should doubt the capacity or ability of older workers to fill vital jobs in this country, I invite them, and I invite the committee, Mr. Chairman, and yourself, to come to Union City to see our day care program in action. The Union City Day Care program was excellent in terms of the content of curriculum and staff before older workers arrived on the scene, but our older workers teaching assistants brought something very special, something that you just do not see very often in the contemporary American workplace. Their level of dedication and commitment to their jobs is truly outstanding, and they have the ability to communicate with young children in a very special language of personal caring. And I have that direct benefit of knowing that, Mr. Chairman, because both of my children, one has just left the day care program, the other one is now entering the day care program, and I can testify to that first hand.

And what I have seen in our own city has convinced me that America has a great untapped resource that can be elicited into a national effort to combat a myriad of social problems. And so your legislation, Mr. Chairman, of H.R. 3079, is clearly proof of your own recognition that some federal programs, including Social Security and JTPA, contain provisions which restrict able-bodied older Americans from employment opportunities that would enhance the quality of their lives, and help meet vital community needs.

And I would respectfully recommend to you, Mr. Chairman, that you might even consider enlarging, as I have already heard you speak about today, the concept that you have already embraced in H.R. 3079, and what I propose for your consideration is the creation of a National Service Corps of Senior Americans to help this Nation respond to all of the needs and problems that we acknowledge as compelling, but fear we cannot afford under the current budgetary constraints, problems such as drug abuse, literacy, teenage pregnancy, school dropouts, substandard performance in our public schools, abuse of children by parents who have no knowledge of basic parental skills, or who lack positive parental role models.

I believe, Mr. Chairman, that in our older population there are potential teachers, and counselors, mentors, helpers, and positive role models who could help to solve some of these problems. Your legislation is an excellent start in the right direction to begin to harness this vast reservoir of talent, ability, and commitment. A national service corps of senior Americans could be a framework under which older Americans could be encouraged to continue their participation as productive citizens.

As in your legislation, earnings disregard for Social Security purposes could be a feature, and alternatively maybe modest tax deductions or credits could be devised for higher income older Americans who wish to participate. And I hope this subcommittee might give some consideration to this proposal. In the interim we need to encourage programs such as our own paraprofessional child day care training program by working for the adoption of amendments to the JTPA that will facilitate the coordination of Title 5 Older American Acts programs with the job training statute.

In this regard I hope that the subcommittee would support amendments being developed, and I heard you before speak about what can we do to increase these and other communities, by Chairman Martinez of the House Employment Opportunity Subcommittee, to safeguard the interests of older Americans under the Job Training Partnership Act. But for our local JTPA director, the program that we have received national recognition for would maybe not be possible because he had to go through a series of administrative hoops in order to create the possibility for us to have this program.

Mr. Chairman, I conclude my remarks, but I would request that I be permitted to submit to you, the committee, for a copy of this record an expanded concept paper on the national service corps for senior Americans for your consideration.

[The prepared statement of Mr. Menendez follows:]

SUMMARY OF TESTIMONY OF HON. ROBERT MENENDEZ
MAYOR OF THE UNION CITY, NEW JERSEY

1. Recognition of the important role that can and must be played by older Americans if we are to successfully respond to the multitude of social problems faced by our nation.

2. Support for H.R. 3079, including expansion of the concept of earnings disregard for jobs in other community-service fields that have become very critical for local communities over the past few years, including literacy trainers, anti-drug abuse teachers and counselors, remedial education tutors for children, youth and adults, counselors in teen-age pregnancy prevention programs, teacher aides and tutors in alternative education and drop-out prevention programs, teachers of parenting skills to young parents, community recreation aides and counselors, and so forth.

3. Proposes the creation of a National Service Corps for Senior Americans, in which participants employed in community-service jobs as described above would be eligible for application of an earnings disregard under Social Security, or a tax credit or deduction, as appropriate.

4. Urges Subcommittee support for JTPA amendments to be offered by Congressman Matthew Martinez in order to ensure that older Americans will not be denied the opportunity to participate in a meaningful way in JTPA employment and training programs.

Mr. **Hughes**. Without objection, it will be so received. Thank you very much for an excellent statement. Ms. Berry? Welcome.

STATEMENT OF DANA BERRY, PROJECT DIRECTOR, DAY CARE PROGRAM, UNION CITY, NJ

Ms. **Berry**. Good afternoon, Mr. Chairman. I am Dana Berry, Project Director of the Union City Day Care Program in Union City, New Jersey, and I very much appreciate the opportunity that you have so graciously extended to me to share my insights and observations with respect to acts that are worthy of consideration by this subcommittee and by the U.S. Congress, in order to better promote better utilization of one of this Nation's most valuable resources, its older citizens.

I have prepared written testimony which I respectfully request being put in the record.

Mr. **Hughes**. That will be so received without objection.

Ms. **Berry**. I will start by providing you with a brief overview of our day care program, and then I will describe our paraprofessional training program for older workers, which has provided dividends far exceeding our original expectations. Following that overview, I will offer some observations and recommendations concerning certain pending legislation affecting older workers.

Our non-profit program in Union City currently serves 235 children between the ages of 6 months and 6 years in two day care centers, and a settling program for home-based care for infants. The majority of the children served by the UCDCP program comes from low income families, principally Hispanic. Some of our children are from families headed by very low income single females.

Despite the budgetary and other challenges that are an ever present feature of any day care program focused on low income families, our program has been able to develop an early childhood program that has earned accreditation by the National Academy of Early Childhood Programs, which is the accreditation branch of the National Association for the Education of Young Children. That was hard work.

Union City Day Care is only 1 of 11 day care programs in the State of New Jersey to have received such accreditation, which we did in August of 1988, and it is the only NAEYC accredited program industry that is both multi centered and multi cultured.

Mr. **Hughes**. Ms. Berry, I wonder if you would hit the highlights for us, and summarize, because we have read your statement. It is excellent, and it will be part of the record, and if you could do that then we could get right to questions.

Ms. **Berry**. We have been using older workers in our day care work force since 1983 when we developed a paraprofessional child care training program. To date we have graduated 120, and those older workers have been put in the child care work force in Hudson County in various capacities. In fact, the training program has attracted national attention, and today Life magazine is filming and finishing up its article which will be put in, we hope, the November-December issue, so you will be able to see us in action.

It is difficult to describe the full extent of the contribution that the older workers have made to our program, and to the community at large. Very simply they are just very reliable, totally dedicated, dependable, responsible, and consistently cheerful people, and the effect that they have upon the children, and even upon the teaching staff, is magical.

I would like to present for testimony a video tape. It is not a professional video tape. What it is is a composite of different tapes that have been done over our media events. That shows you the magic of the intergenerational aspect of having the older workers and young children work together, and I would like to submit this also as part of our testimony.

Mr. HUGHES. Very good. Without objection it will be so received.

Ms. BERRY. One of the questions asked in the video tape is why are there not more programs like this around the country, and you, Mr. Chairman, in your introduction through H.R. 3079, this legislation tells me that you already know the answer to that question. You have recognized that many programs that were created to help low income older workers have often had just the opposite effect because of unreasonable restrictions or regulatory provisions which effectively deny the able-bodied older Americans to the opportunity to supplement their meager pensions with modest wage earnings.

Their earnings test in the Social Security, and the inappropriate performance standards, applied to older workers under the Job Training Partnership Act, are prime examples of this program. They have been touched on in earlier testimony today.

I commend you for your legislation, and you can be sure that I will urge your colleague, Congressman Frank Borini, who serves on the Ways and Means Committee, to do everything to help with this legislative initiative. And, Mr. Chairman, I hope that you and other members, and the Full House Select Committee on Aging, with do everything you can to insure that the JTPA amendment process that is currently underway in the House and the Senate will not end up excluding the low income older Americans from the opportunity to participate in meaningful ways, both quantitatively and qualitatively in the JTPA employment training initiatives.

It is my understanding that Congressman Matthew Martinez, as Chairman of the House Subcommittee on Employment Opportunities, is working very hard to try to legislatively protect the interest of older workers, but I am sure he can use your help, Mr. Chairman. And it is my further understanding that Congressman Martinez will be introducing legislation this week incorporating amendments to the JTPA, specifically focused on older workers. And in my view, and based upon our experience with our coordinated JTPA Title 5 Older Americans Act training program, it is essential that these amendments be adopted by the Congress, particularly the amendment which will require the Secretary of Labor, and the governors, to do job performance standards for older workers, which recognize the special needs for this age group, particularly those over 65 for part-time employment at wage rates which do not jeopardize their eligibility for Social Security, Medicaid, housing assistance, food stamps, and other vital services.

Mr. Chairman, I would be delighted to answer any questions you might have.

[The prepared statement of Ms. Berry follows:]

TESTIMONY OF DANA W. BERRY
BEFORE THE HOUSE SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT
WASHINGTON, D.C. - SEPTEMBER 13, 1989

Good afternoon, Mr. Chairman and distinguished Members of the Subcommittee. I am Dana Berry, Project Director of the Union City, New Jersey Day Care Program. I very much appreciate the opportunity that you have so graciously extended to me to share my insights and observations with respect to actions that are worthy of consideration by this Subcommittee and the U.S. Congress in order to promote better utilization of one of this nation's most valuable resources -- its older citizens.

Older workers have been the magic ingredient in our child day care program in Union City, which currently serves 235 children between the ages of six months and six years in two non-profit child day care centers and a home-based satellite infant care program supervised by UCDCP. Our young clients are principally from low-income Hispanic families.

UCDCP's child day care program is one of only eleven programs in the State of New Jersey accredited by the National Academy of Early Childhood Programs, the accreditation branch of the National Association for the Education of Young Children. I might note that the UCDCP program is also the only multi-site, multi-cultural program in the State of New Jersey to have received NAECP-accreditation.

Since February of 1988, UCDCP has been engaged in a cooperative partnership effort with the State of New Jersey Division on Aging, the Hudson County Division of Employment and Training and the Hudson County Private Industry Council, through which low-income individuals 55 years of age and older, principally Hispanic, have been trained by UCDCP as paraprofessional child day care teaching assistants.

Our model training program coordinates resources available under the Title V Older Americans Act Senior Community Service Employment Program and the Job Training Partnership Act.

The training course consists of 160 hours of classroom instruction conducted over an eight-week period. The classroom training is based upon a theoretical framework consisting of the Hawaii Developmental Scale for Early Childhood, together with daily practicum experiences that are tied directly into the classroom lectures on early childhood education theory. Further, there are daily classroom assignments during which trainees have an opportunity to practice what they are learning on a very concrete level -- working directly with the children. The trainees also spend time in each of the various age-level classrooms so that the trainees experience the different stages of young children's growth and development.

Following the completion of classroom training -- with a graduation ceremony complete with cap and gown and keynote speakers -- the trainees receive up to six additional months of

UCDCP-monitored work experience training in public and private non-profit child day care centers and after-school programs which have been pre-approved by UCDCP with respect to program caliber, workplace quality, and their commitment to hire the trainee or trainees for non-subsidized teaching assistant positions within six months of their work experience start date.

The Hudson County Division of Employment and Training provides JTPA funding to cover the costs of the eight-week classroom training and practicum component. The State of New Jersey Division on Aging and designated local organizations under the Title V Older Americans Act Senior Community Service Employment Program provide funding for stipends for trainees during the eight-week classroom/practicum component and for up to six months thereafter in the follow-on work experience component of the paraprofessional training program.

To date, one hundred and twenty-six older workers ranging in age from 55 to 82 years of age have graduated from the UCDCP paraprofessional training program. I am pleased to report that all of our graduates have successfully embarked on their "second careers" as child day care teaching assistants. Many of our graduates are now working in for-profit and non-profit child day care centers throughout Hudson County. A number of other graduates are now employed as teacher aides in before-school and after-school child care programs in Union City. And some of our graduates have elected to become entrepreneurs, and have become home-based providers of child day care through private arrangements with individual families, or as a part of UCDCP's satellite program for home-based child care for infants.

I am also very pleased to report that a number of our graduates are also pursuing advanced education and training through the Child Development Accreditation program. This is an extremely rigorous training program which presents formidable educational challenges even to individuals far younger than the average age of our graduates. The dedication, enthusiasm and perseverance of these senior CDA candidates has instilled great respect and admiration for older workers in my professional teaching staff.

The inclusion of older workers in our day care program has produced dividends which I could never have contemplated at the outset of our training initiative. We find that the older workers are reliable, dependable, responsible, and consistently cheerful. The effect that they have had upon the children -- and even upon us harried adult teachers -- can only be described as magical. Children who come from dysfunctional families have found a stable and consistent source of love, personal attention, encouragement, positive reinforcement, gentle guidance, and seemingly limitless patience.

Mr. Chairman, you simply cannot fully understand the concept of 1 + 1 = 10 until you see the special bond between the generations that is the hallmark of the UCDCP program.

And the UCDCP program itself has not been the only beneficiary of our older workers' unique commitment to their "second careers" as professional care givers. Many of our older workers have voluntarily assumed the role of mentors to young single mothers of our day care children -- many of whom have had no positive maternal role models to emulate, and who therefore may also lack basic parenting skills.

Also, our older worker teaching assistants are assisting the implementation of Hudson County's welfare reform program -- entitled REACH. Under this important initiative, our older workers play key roles as teaching assistants and care givers for the pre-school and school-age children of AFDC parents enrolled education and employment training under REACH. And, they will also be filling the role of home visitor-teachers in the early childhood development and parenting skills program that UCDCP is developing for REACH families in conjunction with the Hudson County Division of Social Services.

And, our older worker teaching assistants will also be a crucial part of our staffing for a model early childhood development center to be constructed in Union City. In this new facility, UCDCP will not only provide early childhood education and development programs for young children, but will also conduct classes for parents in order to enhance their parenting skills and to encourage their personal involvement in the education of their children.

Mr. Chairman, words alone are not adequate to describe the incalculable worth of our older worker child day care paraprofessionals. You have to see the special magic of the intergenerational approach in order to fully appreciate it. In order to give the Subcommittee a visual profile of our program, I have brought with me today a videotape of recent television news coverage our program has received. This is not a professionally-produced piece, but it has made a big impact on everyone that has seen it to date. It makes an eloquent statement about why we should be encouraging more programs like this around the country.

And in the videotape, you will hear a news announcer ask the question, "Why aren't there more programs like this around the country".

Having heard about the legislation that you have recently introduced, Mr. Chairman -- H.R. 3079 -- I'm convinced that you know the answer to that question.

Mr. Chairman, I commend you for introducing H.R. 3079, which will exempt child care earnings from the Social Security earnings test for workers aged 65 and older. Your legislation is very important, because it recognizes that several federal programs which have ostensibly been created, in whole or in part, to help low-income older Americans -- and Social Security and the Job Training Partnership Act are principal among these -- can actually have the opposite effect for a substantial number of low-income older Americans who would like to supplement their meager pensions with part-time employment. Earnings restrictions under Social Security and inappropriate performance standards under the Job Training Partnership Act unfairly and unreasonably deny to many low-income older Americans the opportunity to participate in work opportunities that would enhance the quality of their lives, provide them with modest supplementation of retirement income, imbue them with the respect they deserve, and enable their communities to utilize their knowledge, talents and abilities to help meet the compelling needs of contemporary American society, including child day care and improved public education.

I note that H.R. 3079 has been referred to the House Committee on Ways and Means, so you can be sure that I will urge your distinguished colleague from New Jersey's 14th Congressional District, Congressman Frank Guarini, to do everything he can to assist your legislative initiative.

With respect to impediments to older worker participation in the Job Training Partnership Act, it is my view that inappropriate performance standards applied to older workers under the regular training title -- currently Title II-A -- constitute the single biggest problem. And that problem could have disastrous implications for older workers if the House and Senate Labor Committee bills amending JTPA are enacted in their present form.

Mr. Chairman, the timing of this hearing by the Subcommittee is extremely propitious, because it may provide the vehicle through which the Subcommittee can act to ensure that the needs and interests of older workers are safeguarded in JTPA.

As you know, Mr. Chairman, up to now, most JTPA involvement by older workers has been under the so-called 3% Governor's set-aside program. Since the total funding available in any given year under the 3% program represents such a miniscule portion of overall JTPA funding, it is natural to wonder why more older Americans are not served under Title II-A -- which has significantly higher funding levels. The simple but sad reason for this disproportionate under-representation by older workers in the JTPA participant population is that Title II-A performance standards do not take into consideration the basic fact that many older workers -- particularly those 60 years of age and older -- prefer part-time work as opposed to the full-time employment required by the Title II-A performance standard. And this preference for part-time work reflects the realities of the aging process which I am sure I do not have to detail for this Subcommittee.

In addition to their preference for part-time work, many low-income older individuals are concerned about wage levels which might jeopardize their Social Security retirement income or their continued eligibility for such important aid as assisted housing. As a matter of fact, I have had to conduct pre-enrollment briefings for my older worker trainees to reassure them that their SCSEP stipends would not adversely affect their Social Security retirement income.

Additionally, the JTPA Title II-A performance standard relative to wage at entered employment is often at a level which would adversely affect Social Security retirement income, and would imperil eligibility for assisted housing and older benefits important to low-income older Americans. Furthermore, wage levels dictated through the Title II-A performance standards make it almost impossible to link the Title V Older Americans Act Senior Community Service Employment Program with the JTPA, because the maximum amount of the hourly stipend that can be paid under the Senior Community Service Employment Program is $3.35.

In direct response to the obstacles created by the Title II-A performance standards, organizations interested in sponsoring older worker training programs have naturally gravitated to the 3% set-aside for older worker programs. But both the House and Senate

Labor Committee bills -- H.R. 2039 and S. 543 respectively -- eliminate the 3% program, and transfer that funding into the regular II-A training title at the local SDA level.

Although both H.R. 2039 and S. 543 contain language which encourages the coordination of Title V Older Americans Act programs with the JTPA, it is my view that this coordination will be virtually impossible with the current performance standards applicable overall to participants under Title Title II-A.

And, even though both bills encourage local JTPA Service Delivery Areas to continue to provide training services to older workers, the Title II-A performance standards requiring full-time employment after job training at wages which definitely exceed those authorized under SCSEP have already demonstrated their effectiveness as a deterrent to JTPA participation by older individuals. In point of fact, these inappropriate Title II-A performance standards constitute a disincentive to able-bodied low-income older Americans who might otherwise be interested in JTPA training for meaningful part-time employment in jobs, including those in the child day care field.

Mr. Chairman, it is my understanding that Congressman Matthew Martinez, Chairman of the House Labor Subcommittee on Employment Opportunities, will be introducing a set of JTPA amendments this week that are specifically focused on older workers. It is my further understanding that Chairman Martinez' bill contains language providing for a waiver of performance standards for older workers, including those participating in coordinated Title V OAA/JTPA training activities. I also understand that the amendments to be offered by Mr. Martinez are designed to significantly enhance the effective coordination of Title V Older Americans Act programs with the JTPA.

Mr. Chairman, I sincerely hope that you and the other Members of this Subcommittee will be able to lend your enthusiastic support and assistance to ensure adoption of Chairman Martinez' older worker amendments by the House Committee on Education and Labor.

This concludes my testimony, Mr. Chairman. I would be delighted to respond to any questions that you or the other members of the Subcommittee may have about the role that older workers are so effectively performing in the Union City Day Care Program.

SUMMARY OF TESTIMONY OF DANA W. BERRY
PROJECT DIRECTOR, UNION CITY, NEW JERSEY DAY CARE PROGRAM

1. Overview of the UCDCP child day care program:

* Serves 235 children ranging in age from 6 months to 6 years, principally from low-income Hispanic families.

* Is one of only 11 day care programs in the State of New Jersey accredited by the National Academy of Early Childhood Programs, the accreditation arm of the National Association for the Education of Young Children.

2. Overview of the UCDCP child day care paraprofessional training program for older workers.

* A model program coordinating JTPA and Title V Older Americans Act resources.

* Eight weeks of classroom education and training in early childhood development theory, including a practicum component. Supervised direct interaction with children in the day care center during the classroom training phase. JTPA funds the costs of the training course (teachers, materials, etc.), and the Title V OAA SCSEP provides stipends of $3.35 per hour during the classroom training phase.

* Following graduation from classroom training, participants enter UCDCP-supervised work experience in pre-approved SCSEP day care work sites for up to 6 months, during which they receive SCSEP wages of $3.35 per hour for up to 20-hours per week. All graduates have been placed in unsubsidized employment following completion of full training.

* One hundred and twenty graduates to date, ranging in age from 55 to 82 years.

3. In order to facilitate the development of similar programs around the country, the Subcommittee is urged to lend its support to JTPA amendments to be introduced this week by Congressman Matthew Martinez, Chairman of the House Subcommittee on Employment Opportunities.

* The major obstacle encountered in the UCDCP training model was the conflicting requirements of Title V OAA/SCSEP and JTPA. The simplest solution to the problem is to require the Secretary of Labor and the Governors to adopt performance standards for older Americans which reflect their special needs; i.e., a preference for part-time as opposed to full-time work, at wage levels which do not jeopardize their Social Security or eligibility for assisted housing or other programs. Such an amendment will also promote greater participation by older Americans in the JTPA program.

Mr. **Hughes**. Thank you very much, Ms. Berry. I will tell you that your Congressman, Frank Borini, is not only a good friend, but I serve with him on the Select Committee on Narcotics. He is a great Congressman, and you are lucky to have him there in Hudson County.

Ms. Obelleiro, welcome.

STATEMENT OF ALICE OBELLEIRO, DIRECTOR, NEW JERSEY DEPARTMENT OF SENIOR EMPLOYMENT SERVICES

Ms. **Obelleiro**. Thank you, Mr. Chairman, and members of the committee, and staff, for inviting me today to provide testimony, and the Division on Aging and of course thanks you for the opportunity to do so.

Mr. **Hughes**. We are just delighted to have you with us today.

Ms. **Obelleiro**. Thank you. The testimony that I submitted I would like to have included.

Mr. **Hughes**. No objection.

Ms. **Obelleiro**. And I will try to summarize, go over the points, and maybe—I would like to talk a little bit about JTPA just because I feel it is a very important part of the older worker being able to remain in the work force, or go back into the work force, but I want to make a comment first about the two presenters before me. If it was not for the Union City Day Care Center I probably would not be sitting here today because they enabled us to start the wheels turning to get better coordination and communication on a local level with the Job Training Partnership Act instead of turf, tradition, and terror, we always say. They enabled us to do our job, which was to coordinate efforts with other Older Americans Act Senior Employment Program people, and, of course, the JTPA. So we thought it was not a reproducible experiment, but actually we have been able to reproduce it in a few of the counties in New Jersey.

Mr. **Hughes**. Wonderful.

Ms. **Obelleiro**. In Mercer, and in Union City, and a few other counties are now going to be training people through JTPA.

Mr. **Hughes**. So they were pioneers?

Ms. **Obelleiro**. Yes. Well, I would like to think that New Jersey is a pioneer in that sense, and I would say thanks to these people here, and Saundra Krivit. That is the reason, and it has helped many of our older people gain the self-confidence that they need.

The two pressing social issues not only affecting New Jersey, but also the entire United States, are the dramatic increase in the early years of the 21st century of the number of older workers, and the changes in the historical family concept which has produced a pronounced need for child day care services.

Intergenerational program experience in New Jersey currently is in the child day care field with representation in two urban suburban counties out of a total of 21, and those are Mercer County, which is a newer program, and, of course, Union City, Hudson County.

In each of these experiences a partnership between the JTPA agency and the Senior Community Service Employment Programs, and the training provider, contributed to its success in terms of finding employment for the participants in training development, and that is very important, that training development part of the partnership enables coordination to happen, which is important in getting people back to work. The training is important, and also the support service section of it.

Establishing an ongoing equal partnership between the Job Training Partnership Act and the Older Americans Act Title 5 Senior Community Service Employment Program, has produced positive results. These results were achieved when consideration was given to the target population. Now, the target population that we are looking at, of course, are the 55 and over, and the economically disadvantaged, and many of the issues surrounding them involve the fear of going back into training because of the time that many of them have been away, and some of them have very little training in the past. So we have to try to work to market the programs to them so that they will not have the fear of that, and it is very important that we have the JTPA program because the Title 5 Senior Employment Program has of limited funding for what I call formal training. So we would like to marry the two programs together because if New Jersey's workers want to keep competitive in the work force, if we want employers to stay in New Jersey, we need the work force to accept the concept of lifelong learning, and of course, what better example is the older worker. Now, we can show that to the other citizens of New Jersey, especially the younger groups.

One of the elements that can help overcome some of these problems is in the initial design and marketing of the programs. In New Jersey we have been successful in several instances when the private industries councils, the JTPA administrative agencies, and the Older Americans Act Title 5 Senior Community Service Employment Programs, established open communication and consultation to meet the precise needs of this particular group.

The Division on Aging is very concerned at the possible demise of the 3 percent older worker JTPA program, and they want to submit the following policies as possibilities for this program. One would be the retention of a set aside policy and program.

Two, specific language to insure service to older workers should that program be lost.

Three, retention of the 55 plus eligibility guidelines to insure the strongest possible coordination with Title 5 of the Older Americans Act.

Four, mandated representation of older worker advocates on the state's JTPA board. We feel that in New Jersey that has not been the case in many instances or else we might have many more day care training programs throughout the other SDAs. Not all of New Jersey's SDAs choose to run an older worker 3 percent set aside program in any field of training.

Five, a stronger connection to the older worker network at both state and local SDA levels.

Six, the continued urging of a strong JTPA Title 5 Older American Act coordination at a planning and implementation level, and to better meet the special needs of the older worker we also propose that the JTPA 3 percent set aside program provide for an opportunity for those individuals who have not been successful in locating what we call unsubsidized deployment, to be linked to the Title 5 Older Americans Act program. What we are saying there is that there are times that we cannot get 100 percent placement of the older worker, and instead of just leaving them on a lurch, we, the senior employment program providers, would like to accept them as trainees and not to retain them forever on a permanent basis, but to possibly give them some more support services, and some work experience training, so that they could ultimately be part of that work force that is not subsidized by government funds.

We also would like consideration to be given to the alteration of the JTPA unsubsidized placement standard to a more realistic 60 percent. We are not saying that because we want to do less. We just know that there are some disincentives and barriers for the mature worker that at times take a little longer to overcome.

Improving coordination of the older employment policies at a Federal and State, and local levels, and between the public and private sectors, would benefit from the formation of a committee representing these entities. This committee would minimize the replication effort, and insure that the maximum number of eligible workers will be served. In New Jersey the Governor has established it was Task Force on Employment and Training. Now it is a Commission on Employment and Training. But we would like to have a little more visibility with this group. We are trying to coordinate with them, and they have been very helpful to us, but we want that to be an important partner. I know they have a lot of other things to look at in New Jersey, and a lot of other age groups, but we feel that in order for New Jersey to keep competitive we would like to be a part of that in a much greater capacity.

The concept of exemption for the earnings of any of the Social Security recipients is a step forward in encouraging the mature worker to be a fully participating member of the work force. The need of the United States to increase its pool of available workers would be enhanced if this exemption were extended across the board. There are many skilled areas which within the next five years will be lacking skilled workers. Many older workers are discouraged from making a contribution to the work force because the Social Security pay back has become a disincentive.

In the past I referred to the disincentive as barriers but they are really not a barriers. It is more of a disincentive to the person, and maybe that is something the government can remove as opposed to barriers.

Employment of an older worker is one of the best vehicles for achieving a positive self image. In the State of New Jersey during 1988 3 percent of the state's approximate 4 million work force, or 117,000 residents aged 65 and older, held full or part-time jobs. H.R. 3079 could be utilized as a pilot program for child day care workers, and then after an evaluation of the results, maybe we could look at some of the other fields that are needing of work force, and some of them could be the gerontological type of day care, the health industry, some of the data industries that are along the Route 1 corridor that we have in New Jersey, and in some of the other areas. Maybe we could look at some of those because we could bring the older work force into those fields also.

But we do find that with the child day care we do address the two needs, and as I said, we are able to do it because we have been doing it now for a couple of years with Dana's group, and with some other groups in New Jersey with the child day care.

Thank you very much for the opportunity to speak.

[The prepared statement of Ms. Obelleiro follows:]

PREPARED STATEMENT OF ALICE M. OBELLEIRO

To better utilize an older work force, employment and training programs must be based on a sound understanding of the changes occurring in our economy. Work force policies traditionally in the United States had been widely influenced by the pressure for what appeared to be an endless supply of young workers. Two factors have more recently become apparent that the work force policies for the latter half of the twentieth century and the twenty-first century must reflect:

1) The longevity of the worker which has dramatically increased since 1950; and

2) the dwindling supply of the age group from 16 to 24 years of age as a source.

The current emphasis on employing the mature worker has brought about philosophical and procedural changes in government funded income maintenance programs for the mature economically disadvantaged worker. The Older Americans Act Title V Senior Community Service Employment Program since 1980 has emphasized the employability of the older worker in all public, private, business, industrial, and governmental endeavors.

In New Jersey the programs which can be identified as serving older workers are:

1) The Older Americans Act Title V Senior Community Service Employment Program with nine diverse providers of service;

2) The Job Training Partnership Act Three Percent Older Worker Setaside Programs; and

3) PROJECT RESOURCES in two of New Jersey's community colleges. The thrust of this program is to provide employment placement to people age 55 and over. The distinguishing feature of this program is its emphasis on the older worker without regard to financial need.

Intergenerational program experience in New Jersey currently is in the child day care field with representation in two urban/suburban counties out of a total of twenty-one. In each of these experiences a partnership between the JTPA agency, the SCSEP Title V Programs and the training provider contributed to its success in terms of unsubsidized placements and trainee development.

Establishing an ongoing equal partnership between the Job Training Partnership Act and the Older Americans Act Title V Senior Community Service Employment Program has produced positive results in New Jersey. These results were achieved when consideration was given to the target population. The needs of the senior population are just as diverse as any other age group. However, there are certain characteristics that are valid when handling any group of seniors:

1) The fear of not being able to learn after a long absence from formal training.

2) The fear of not being able to succeed at the training.

3) Absorbing the latest technological changes even in a job that they previously held.

4) Fear of not being able to compete with the other members of the work force.

One of the elements that can help overcome some of these problems is in the initial design and marketing of the programs. In New Jersey we have been successful in several instances when the Private Industry Councils, the JTPA administrative agencies and the Older Americans Act Title V Senior Community Service Employment Programs established open communication and consultation to meet the precise needs of this particular group.

The proposed elimination of the JTPA 3% Setaside Program has caused the N.J. Division on Aging much concern as this special emphasis on the mature worker when coupled with the services available through The Older Americans Act Title V Senior Community Service Employment Program has enabled the mature worker to enter the labor force with viable skills.

We wish to avoid the loss of this very important element of the Job Training Partnership Act. It is from this standpoint that we advocate for the following policies:

1. Retention of a setaside policy and program.
2. Specific language to insure service to older workers, should that setaside be lost.
3. Retention of the 55+ eligibility guidelines to insure the strongest possible coordination with Title V OAA.
4. Mandated representation of older worker advocates on the State JTPA Boards.
5. A stronger connection to the older worker network at both state and local (SDA) levels.
6. The continued urging of a strong JTPA/Title V OAA Coordination at a planning and implementation level.
7. To better meet the special needs of the older worker we also propose that the JTPA 3% Setaside Program provide for an opportunity for those individuals who have not been successful in locating unsubsidized employment to be linked to the Title V OAA Program. Consideration also needs to be given to the alteration of the JTPA unsubsidized placement standard to a more realistic 60%.

The concept of exemption for the earnings of any of the Social Security recipients is a step forward in encouraging the mature worker to be a fully participating member of the work force. The need of the United States to increase its pool of available workers would be enhanced if this exemption were extended across the board. There are many skilled areas which within the next five years will be lacking skilled workers. Many older workers are discouraged from making a contribution to the work force because the Social Security "pay back" has become a disincentive.

Employment for an older worker is one of the best vehicles for achieving a positive self-image. In the State of New Jersey during 1988 three percent (3%) of the State's approximately 4 million work force or 117,000 residents age 65 years and older held jobs.

The two pressing social issues not only affecting New Jersey but also the entire United States are:

1) The dramatic increase in the early years of the twenty-first century of the number of older workers; and

2) the changes in the historical family concept has produced a pronounced need for child care services.

H.R. 3079 could be utilized as a pilot program for child day care workers after an evaluation of the results is made to determine if this concept is a viable approach for increasing the recruitment of older workers in other areas where worker shortages exist.

Mr. **Hughes**. Thank you very much. Ms. Willer?

STATEMENT OF BARBARA A. WILLER, PUBLIC AFFAIRS DIRECTOR, NATIONAL ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN

Ms. **Willer**. Thank you for inviting me to present in the perspective of the National Association for the Education of Young Children.

Just to give you a brief summary of our accreditation system, and to point out what that means for Union City, this is a program that has been in existence now for 4 years, and it is designed as a very comprehensive system to provide documentation of high quality in early childhood programs, group programs that serve children from birth through age 5, and before and after school. This system looks at every aspect of the program, and provides a comprehensive approach for improving the quality of services provided to young children and their families as well as a way of documenting their effectiveness in providing needed services. The accreditation program has been in operation for about 4 years. Currently we have 1,000 accredited programs throughout the country, and another 2,700 in process, so it is a fairly select group of early childhood programs across the country, and ones that do provide very high quality of service to their young children and their families.

We have heard throughout the afternoon the facts about the child care crisis, and your background materials very clearly document the extent of the problem, and the very high rates of turnover that result primarily because of the low compensation that staff receive.

I just wanted to highlight why that is such a critical issue for young children. There is no more important ingredient in providing a quality program than the quality of the staff, and it is absolutely critical that we maintain continuity among the workers who deal with young children on a daily basis, so that close relationships can be established between children and adults. These are the relationships that really provide the basis for children's learning in the early years.

Attracting older individuals as child care workers is not a panacea to this serious problem. Programs which provide an intergenerational component are offering an extremely valuable service, and they need to be supported. We need to recognize that the intergenerational component is an enrichment to the provision of early childhood services. It takes a tremendous amount of extra work and effort in order to successfully integrate older workers into a program. It takes much time and planning to work out the complementation both among the existing staff, and also the older workers themselves, to talk about feelings about aging, and perspective of working among people of differing ages.

Some of the "challenges" that face a typical care giver, getting down on the floor with a group of children, picking up a 25 pound crying toddler, dealing with the noise level. Dana mentioned that the Mayor's son came home from his first day at the program and said, "that is a noisy place." Noise is often a sign of the learning that is going on, because children learn best by doing. With active hands-on learning, and children's high voices, it can be noisy, but that is learning at work.

We really need to emphasize that not all older workers, not all individuals, will enjoy and will benefit from being a child care giver. Often I think we assume that simply a person's age, or by the fact that they have had children of their own, provide natural qualifications to prepare someone to be a care giver. It is very important to stress that this is not the case. At the same time we certainly want to encourage those warm grandmotherly type of behaviors that we all think about. Those are the types of things that we want to encourage in a program. Just because of a person's age does not mean they will bring behaviors.

So I think that as we look at this, again we want to encourage the incorporation of older workers into child care programs. They offer a wide range of benefits, not only to the children, to the other staff, but to the older workers themselves, but I think we have to recognize the need for training, the need for additional support, that has to accompany that in order to make it successful.

If we fail to add those additional resources and services what we run the risk of doing is placing additional demands on already stressed staff, and running the risk of exacerbating the child care crisis and staffing problems that we face, so the two really need to go hand in hand. Thank you.

[The prepared statement of Ms. Willer follows:]

PREPARED STATEMENT OF BARBARA A. WILLER

My name is Barbara Willer, and I am the Public Affairs Director of the National Association for the Education of Young Children, better known as NAEYC. NAEYC is the country's largest association of early childhood educators, with a membership of more than 70,000. Founded in 1926, our mission remains unchanged: to assure that high quality early childhood programs are available to all young children and their families. We work to fulfill our mission in two major ways: (1) providing tools and resources to improve professional practice in early childhood education and (2) striving to build public understanding and support for high quality early childhood programs.

Given this focus, it is a pleasure to be here today to discuss early childhood programs that involve an intergenerational component -- and to discuss the ways that such programs can enhance our nation's overall provision of quality services to children and their families. As you are well aware, the early childhood profession is in the midst of a staffing crisis, so that any attention to expanding the supply of potential workers is indeed welcomed. In fact, we invite Congressional attention to strategies to recruit all qualified workers, not just older ones, to provide the critically important services of the care and education of young children.

Let me say at the outset that our Governing Board has taken no position on H. R. 3079. My remarks today will reflect positions that the Association has adopted regarding the provision of high quality services and their implications for this particular bill. Our experiences with quality in early childhood services have been immeasurably enhanced by NAEYC's administration of a national system of voluntary accreditation for early childhood programs. The accreditation system is designed for any full-day or part-day group programs serving children from birth through age 5 and/or school-age children in before and after school programs. The system is based on NAEYC's Criteria for High Quality Early Childhood Programs (1984), which were developed over a 3-year period from a review of existing standards, a review of the research literature on the effects on children of various aspects of a group program, and from the expertise of thousands of early childhood professionals who reviewed the proposed standards. NAEYC's Criteria address ten components of an early childhood program: interactions among staff and children, curriculum, staff qualifications and development, administration, staffing, physical environment, health and safety, nutrition and food service, and evaluation. The process involves three steps: a self-study by the directors, teachers, and parents; an on-site validation visit by specially trained early childhood professionals; and the accreditation decision by a commission of nationally recognized early childhood experts. The system began operation in Spring 1984. Since that time, approximately 1000 programs have achieved accreditation, including Union City Day Care represented here today. An additional 2700 programs are involved in self-study.

The Early Childhood Staffing Crisis

This country is experiencing an unprecedented demand for early childhood programs serving infants, toddlers, preschool children, and school-age children before and after school. Coming at a time when many programs are unable to attract and retain qualified staff because of inadequate salaries, difficult working conditions, and low unemployment, this demand has created a crisis situation that places the quality of services provided to young children in jeopardy.

Years of research and experience has demonstrated that the most important factor in determining the quality of an early childhood program is the quality of its staff. Regardless of setting (family day care, center, or school) and regardless of the age of the child (infant through school-age), children do best when there are sufficient numbers of trained adults who are available on a regular, consistent basis. Specialized staff training is critical. Teachers/caregivers must understand how young children grow and learn, and how to teach them accordingly. And, because young children need close adult attention and supervision to assure their safety and to help them to thrive, the total group size and the number of children per adult must be limited, increasing personnel demands.

Child care workers have one of the highest separation rates (percentage of workers leaving the field each year) of any occupation--nearly 40% in center programs according to Department of Labor statistics. This rate is more than double the national average. The chief reason for the high rate of separation is the inadequacy of the salaries provided to child care workers. Nationally, child care workers received an average weekly wage of $187 in 1988, compared to the average worker's weekly wage of $385. The picture is also quite dismal when benefits are considered. Although over two-thirds of full-time workers in the private sector receive health benefits, with the majority of premiums paid by the employer, local surveys of early childhood personnel consistently report that only between one-third to half of these workers receive health benefits. The lack of basic health benefits for those working with young children is particularly problematic given the growing concerns by physicians, parents, policymakers, and early childhood educators alike about the risks of disease transmission in child care. Yet, an effective means of risk reduction is ignored when caregivers have no health benefits.

Older Workers in the Early Childhood Workforce

Given the gloomy picture I have just painted, you may well be thinking that older workers represent an easy solution as an untapped labor pool. I strongly caution you not to view the use of older workers as a panacea for the staffing crisis. Programs utilizing older workers or offering other means of intergenerational contact can and do provide important services to children and their families. But providing such services takes careful planning and implementation to assure that their benefits are provided to both children and staff. Most effective intergenerational programs view this component as an enriching factor and are willing to invest the extra time and effort it takes to make it work.

In addition to training, older workers, like all workers, need adequate orientation about the goals and philosophy of the program, emergency and safety procedures, the needs and interests of the children assigned to the worker's care, guidance and classroom management techniques, and the planned daily activities of the program. NAEYC Guidelines recommend such orientation for all staff and volunteers prior to their entry into the classroom.

Effective programs devote careful planning with workers and other staff to establish a clear understanding of the roles and responsibilities of each adult in the program. It is especially important for programs with intergenerational components. Often it is important to recognize and discuss personal feelings and perspectives on aging and toward older persons. Likewise, discussion of expectations of adult responsibilities within the program is needed. As a very concrete example, many of the "challenges" that typically face caregivers: from sitting on the floor with a group of children, to picking up a crying 25-pound toddler may be physically taxing or impossible for older workers. In addition, most early childhood classrooms are fairly noisy places. More often than not, that noise is the sound of healthy, active children learning through hands-on experience -- the best way to learn. The bottom line is that working with children is a very demanding job. It cannot be emphasized enough that not everyone -- and not all older workers -- will be successful child caregivers. Often popular opinion assumes that older workers, and especially older women, are naturally qualified as caregivers. It is important to stress that neither one's age or the fact that one has children or grandchildren is sufficient qualification for working in a child care center. Caring for other parents' children in a group setting is a very different situation than caring for one's own children. Certainly we want to foster the types of behaviors that we would all associate with a nurturing grandmotherly figure. Careful screening and mutual understanding about the role can maximize the likelihood that workers with such characteristics are selected.

The rewards of intergenerational child care experience are many. In today's mobile society where many extended families are separated by distance, young children can benefit from the grandparent-like relationships that are established with older caregivers. Children's learning about the life cycle and respect for elders will grow out of the warm interpersonal relationships that are established. Older workers gain the enrichment of exposure to young friends and their families and can take pride in the important service they provide. For all of these reasons, efforts to increase the number of intergenerational programs and to increase the intergenerational components of existing programs should be supported. But, such efforts must include attention to the need for training and supportive services to assure successful integration into programs. We cannot expect the ranks of older workers to solve the serious child care staffing crisis that we face in this country. In fact, without considering the need for supportive services for programs when older workers are introduced, we run the danger of increasing the job stress of directors and teachers now on the job and creating further sources of tension and dissatisfaction, exacerbating the staffing shortage that is already a crisis. We appreciate this committee's concern with early childhood staffing issues, and look forward to working with you and other members of Congress to forge real and lasting solutions to address this serious problem.

naeyc

National Association for the Education of Young Children 1834 Connecticut Avenue, N.W. Washington, DC 20009 202 232 8777 800 424 2460

Testimony to the Committee on Labor and Human Resources: A Summary

Barbara A. Willer, Ph.D.

Our Country is Facing a Child Care Crisis

This country is experiencing an unprecedented demand for early childhood programs serving infants, toddlers, preschool children, and school-age children before and after school. Coming at a time when many programs are unable to attract and retain qualified staff because of inadequate salaries, difficult working conditions, and low unemployment, this demand has created a crisis situation that places the quality of services provided to young children in jeopardy.

Child care workers have one of the highest separation rates (percentage of workers leaving the field each year) of any occupation--nearly 40% in center programs according to Department of Labor statistics. This rate is more than double the national average. The chief reason for the high rates of separation is the inadequacy of the salaries provided to child care workers. Nationally, child care workers received an average weekly wage of $187 in 1988, compared to the average worker's weekly wage of $385.

Older Workers Will Not Solve the Staffing Crisis

Attracting older workers should not be viewed as a panacea for the staffing crisis. Programs utilizing older workers or offering other means of intergenerational contact can and do provide important services to children and their families. But providing such services takes careful planning and implementation to assure that their benefits are provided to both children and staff. Most effective intergenerational programs view this component as an enriching factor and are willing to invest the extra time and effort it takes to make it work. Without considering the need for supportive services for programs when older workers are introduced, we run the danger of increasing the job stress of directors and teachers now on the job and creating further sources of tension and dissatisfaction, exacerbating the staffing shortage that is already a crisis.

Intergenerational Programs Provide Important Benefits to Children and Adults

In today's mobile society where many extended families are separated by distance, young children can benefit from the grandparent-like relationships that are established with older caregivers. Children's learning about the life cycle and respect for elders will grow out of the warm interpersonal relationships that are established. Older workers gain the enrichment of exposure to young friends and their families and can take pride in the important service they provide.

Mr. **Hughes**. Thank you very much, Ms. Willer.

First, I am fascinated, Mayor, with your National Service Corps for Senior Americans, and I look forward to receiving more information from you on that.

Are you thinking in terms of something very much akin to what we have on a rather limited scale, such as with RSVP, and Foster Grandparent, and Green Thumb, where we attempt to get older Americans deeply involved in a whole host of activities in the community in a broader scale? Is that what you envision?

Mr. **Menendez**. First of all, what I do not envision is a bureaucracy, so that is not what I have in mind.

Mr. **Hughes**. That is reassuring.

Mr. **Menendez**. And so what I do envision is a process of certification in which criteria such as age, and the profession, or the training that that individual has, and where they would serve, particularly my focus, I believe, would be in public service not private sector service, for those items that we are talking about, day care, elder care, latchkey, nursing-related services.

We have teachers who are constantly retiring at a relatively early age, and comparatively in today's life span. We have a whole need in terms of tutoring and mentoring, and I think that we can do such a certification process to answer the questions about with the Social Security Administration. How do we go about going ahead and identifying it, and do it in such a way within various different existing departments of government, that by doing that we could solve a whole host of needs that we have out there to be addressed by people who have a lifetime of experience, and I agree that training is important for those that may not have had it, or in the particular area, that have a lifetime of experience and knowledge in many different areas that we just put out to pasture, just does not make sense.

Mr. **Hughes**. Well, I want to congratulate you, and Ms. Berry, and those that have made your program such a success in Union City. It has indeed become a model for the country, and we appreciate your willingness to come in and talk to us about it today.

Ms. Obelleiro, you mentioned in your testimony that you have concerns about the proposed elimination of the 3 percent set aside in the Job Training Partnership Act. Can you tell us what would happen in states like New Jersey, in your judgment, or around the country, if we eliminated that set aside?

Ms. **Obelleiro**. What would happen in relation to the economically disadvantaged older person that is looking for a job is that the concept of the formal training that would prepare them for the current turn of the century, late 20th Century jobs which will differ to the ones that they held before, training would be lost, and they would basically go into the field without that training. Their self-esteem would diminish as were successful in finding employment, and they would probably drop out the work force. They would just go back into the retirement even though they might need the money, and work, or they might want to do it for their own self-worth and self-happiness. And we feel that that absence of the formal training, the training that is needed to make the workers be part of today's work force, the absence of that would be really a loss to the older worker.

We also feel that there should be emphasis on the mature worker because there are barriers, and disincentives, and special concerns, that we have to work with them, and that if we design programs that look at that, and try to market it to them, we cannot market training them in the same way as we would to a 20-year old, what would be some of the joys and benefits of working. We would have to look at it differently, and we do not feel that it would really conflict with the JTPA program for the younger people.

Mr. HUGHES. One of the things that I am interested in is how the people in the industry perceive the program. Have they been helpful to you throughout the state in identifying programs for adults, or have they been reluctant, because there is somewhat of a perception that older Americans might require more training, and maybe be a little more of a hassle? And, of course, how prevalent is the stereotype that only the younger adult who is out of work needs training? I often wonder whether employers think in terms of the older American who also requires training and retraining.

Ms. OBELLEIRO. On the local level I do not feel the local providers of the service really look at the older worker as a negative group to serve. It is just that the performance pressures, are so great on them, for the other age groups, that I think sometimes the older worker issues do not become paramount to them, so they get put on the back burner, and then what we try to do, of course, we try to bring that to their attention.

Mr. HUGHES. Well, the 3 percent set aside focuses attention upon that category. Will we lose that if we eliminate the 3 percent set aside?

Ms. OBELLEIRO. Yes, I think we would lose that focus because unfortunately the way that humans nature is if you have the focus in writing it will become reality, and I think that as with our program with the Older Americans Act program, there are certain priorities and emphasis that we have to look at and follow and try to meet those needs. I think with the 3 percent set aside older worker program, it is the same case that we have to focus on the mature worker, and we have to look at them maybe a little differently, and while we do want to mainstream them into the work force, before they go into the work force they have to be prepared, and they have to accept the concept of lifelong learning, or else they are not going to want to do it, so we have to market it to them a certain way, develop the programs a certain way, and by having that part of the system, and having on a state and local level having representatives from what we call the mature worker network, agencies that work with the mature worker, that would enable that to happen, but, of course, nationally that has to be put into the legislation, I feel, so that it can become part of the system in our state.

Mr. HUGHES. Finally, Ms. Willer, I appreciate your insight into how not everybody is cut out to work in day care facilities, that it is noisy, and kids are active. I can relate to that. We have three grandchildren.

Ms. WILLER. That is right, and it is always nice to see them go home, is it not?

Mr. HUGHES. That is the point I was going to make. It is nice, it is exhilarating, it is wonderful. I mean, they help keep you young, but also it is wonderful when you go home, the peace and quiet of your own home, but that is all part, is it not, of trying to get older Americans back into the mainstream of life. Not everybody is cut out to work in day care facilities, but a lot of them are, and a lot of them probably would be irreplaceable because they have such—I think it was the Mayor that said they have such a special way of communicating to youngsters. They have so much to offer, particularly to those youngsters who perhaps do not have two parents in the household, which is unfortunately increasing in numbers throughout the country. They can help provide that love, companionship, and comradery that is very important to youngsters today.

Ms. WILLER. I could not agree with you more. I think that is certainly something that we need to encourage as much as possible. Again, to point out what it takes to do that, and the type of extra effort that really does need to go into planning an effective program.

Mr. HUGHES. I think your point is well taken, and we appreciate that. The gentleman from Pennsylvania, Mr. Ridge.

Mr. RIDGE. I thank the gentleman for yielding. I apologize to the panel for coming in late. This is a matter of personal interest to me for a variety of reasons. I have spent a lot of time looking at the work force of the future, reading the study called Work Force 2000, and the future pressures on a growing economy to attend to the needs of more women in the work force, which means we will need more child care facilities, and so the two come comfortably together with your proposal, and certainly with a 2 year old son and a 3 year old daughter, I have a particular interest in day care myself. So I do have some questions, and permit me to ask them, and they may have been answered in your testimony, but forgive me.

I am kind of interested in the structure in the Union City program. May I presume that the older Americans who are utilized in such community service projects are supplementary staff? Are any of them in supervisory positions? Is there a workload? Is there accommodation made because of age, and perhaps an ability to carry a full workload? Do you address the schedule to meet that? Would you just comment?

Ms. BERRY. Yes. To answer your question, what I did not share in my—the written testimony, is that there is an 8 week training course that is paid through JTPA funding, and during that 8 week training course, 5 days a week, 4 hours a day, the older workers are receiving the Title 5 stipend. Thus they are receiving $3.35 an hour during that training course.

Mr. RIDGE. Some of us want to raise that incidentally.

Ms. BERRY. I am glad to hear that. However, after they are through with that training course with us, we then place them in our center, or in other centers, for a 6 month continued Title 5 stipend. At the end of that time it is our commitment to them to place them into unsubsidized slots. This way we are able to bring in new people to begin training so that we are not keeping people on a subsidized Title 5 entitlement.

The older workers begin as teacher aides. Some of them choose to work an 8-hour day, and some of them choose to stay on a 4- or a 5-hour day. Two of our older workers, have just completed receiving from NAEYC, the CDA, which is another credentialing standard to become group teachers. They head up infant-toddler classrooms. Our older workers allow us to have a ratio of 1 staff to 3 infant-toddlers, and a 1 to 3 continued staff chief ratio until the children become 4 years old. When children come to us at 6 months, they remain with their same teachers until the children become 2 years and 9 months and more into the 3 year old classrooms.

We have consistent teaching staff with our youngest children. We have been very concerned presenting quality early childhood education based upon developmental theory. On a very practical level our staff is trained to work experiencially with children.

The magic of the older worker program is that we begin to open up all kinds of potential programs that can serve children that were not being served previously. This provides aide to our families, so many of whom are dysfunctional, who are involved in crises, particularly in our larger urban areas.

Mr. RIDGE. That was wonderfully responsive, and we certainly do not worry about you being long-winded. That is why you are here. We worry about our colleagues being long-winded because we can hear them every day, so I appreciate response. It is a very fascinating subject, very innovative approach that you have addressed. I look forward to, and will read. Just as a final personal anecdote, the care givers to my children would fall into that age category.

Ms. BERRY. Would you rather have a 20 year old taking care of your infant, or a 62 year old?

Mr. RIDGE. Well, you have answered—it is a wonderful question, and particularly those who have obviously—the beauty is that they have raised their family themselves, and it is a second family. It is a real special relationship that I have seen develop between my children and—well, they are more than care givers right now. I mean, it is a little bit different situation, but there is something really special, so I appreciate your innovation, and look forward to learning more about it. Thank you for your testimony.

Mr. HUGHES. I thank the gentleman. The gentleman from New Jersey, Mr. Pallone.

Mr. PALLONE. Thank you, Mr. Chairman. That is the first time I am addressing you as Mr. Chairman. Congratulations.

Mr. HUGHES. I should have said the distinguished gentleman from New Jersey.

Mr. PALLONE. I just wanted to, first of all, welcome Bob down here. Assemblyman Menendez was somebody that I worked with in the state legislature, and I know him both as a Mayor and as an Assemblyman. I know he has been doing an excellent job, and we missed you at the Spanish Fiesta this summer in Long Branch. Do you remember coming the previous year?

Mr. MENENDEZ. Yes.

Mr. PALLONE. It was a nice fiesta, I have to tell you.

I have to apologize again because I did not hear most of your testimony, but I just wanted to ask a question, and again, as was said, I may be asking something that has already been answered, but if I could, I am a co-sponsor of Mr. Hughes' bill, and I have to say, Mr. Chairman, that when I go to town meetings, which I had quite a few of in August, a lot of seniors show up, and they are constantly addressing the issue about the fact that there is a shortage of labor, if you will, in New Jersey, and a lot of them either feel the necessity to, or want to go back to work, and they are always talking about the fact that the Social Security earnings test is an inhibiting factor, and certainly in this area with regard to day care, but even perhaps in other areas as well, it seems to me that this type of legislation that would encourage people, older seniors, to go back to work really does make sense. It is something that they really want.

And I just was going to ask you whether there were any other types of incentives like that? And, for example, this kind of goes against the earnings test almost, but one of the things that constantly comes up among seniors who are working is that they should not have to pay, for example, the payroll tax, or Social Security. In other words, if—either the earnings test is eliminated, or they should not have to pay certain things. I am just wondering if you had any ideas in terms of other incentives that we might put into place on a federal level. A broad question, but kind of lends itself to this.

Ms. BERRY. Amazingly enough for our group of people, $3.35 per hour in earnings is to some of them the difference that makes life bearable. To others it is the money that they take down to Atlantic City in order to have a hoopla. I have not heard complaints about paying federal taxes. They do not want to be penalized for earning more that the $8,800 cut-off. The hardest point that we have is that they want to make sure that they can earn it for only working 4 hours a day instead of having to work 8 hours a day. It is those kinds of inconsistent patterns we have to contend with as we try and mend JTPA and Title 5 regulations together.

This is a group of citizens that have paid taxes for a long time. The fact that they are going to pay a little bit more seems to be a natural part for them. I think, that what this legislation, 3079, introduces is going to be seen as a marvelous step forward for them, and very progressive. They were very pleased to know that I was coming here today, and cannot wait to talk to me tomorrow.

Mr. PALLONE. Great. Now, is it—you may have already answered this, but in other words, from what you are saying, the incentive is not so much that we would get a lot more people in the work force, but rather that they would be working longer hours. They only worked, for example, 4 hours a day, and they would work longer?

Ms. BERRY. No, I do not want to be misunderstood because this is one of the critical points for us. They do not want their Social Security income jeopardized by going out and earning slightly more. Now, slightly more to them is a choice of working 20 hours a week. Most of them would prefer to work only 20 hours a week instead of 40 hours. Present JTPA standards say that you have to work 40 hours in order to meet their performance criteria, so for us to go out and get the training money that we need to make our older workers eligible to be trained a quality people who work with our children, we have got the two different systems in juxtaposition, hopefully a bit what Congressman Martinez's bill addresses this issue.

Your 3079 is going to make it just much more attractive for people to come out and work because they are not going to be penalized on what they are already earning by adding a bit more money.

Mr. **Menendez**. If I could just add to that, and I am sorry I missed you at the fiesta, but if I did not go on vacation with my wife she would say that is it.

But the—there is two major things, and I think that Chairman Hughes' bill is—that you said you have co-sponsored, is right on target. When I speak to senior citizens who come in and they need the difference to survive. They talk—we talk about what can I do for them, and one of the things I have often suggested, depending upon the nature of the individual, is the possibility of the training. And then when we talk about they need assistance, and we talk about you will be paid and what not, they worry right away. The first thing they say is, "well, you know, if I am going to go over my amount of what I can make then I am going to have a problem, and that is not going to help me in the long run. I am still going to be in a negative position as a result of even your efforts." And I hear that all the time.

So clearly the bill that has been introduced is right on target. And the other problem is that the performance standards that have been set in the JTPA as it relates to senior citizens are problems because one part-time does not qualify, and then the income levels that we would derive for these individuals does not rise to the level in terms of the performance standards. So if we lose the protection, the chairman was asking questions about, by reference of the percentage set aside, and if we do not change the—in terms of enlarging protection by virtue of the performance standards, then clearly our ability to germinate this type of program is very, very difficult.

Mr. **Pallone**. Okay. Well, thank you very much, and thank you, Mr. Chairman. As I said, this is really something that I hear a lot about with regard to the earnings test, and a lot of people really wanting to take advantage of additional working hours, and I really think it makes sense. Thank you.

Mr. **Hughes**. Thank you. I think the gentleman from New Jersey is right in the long run. Senior citizens know exactly how many hours they can work without being penalized. So it is obviously a factor, on the minds of a lot of people, as to whether they are going to work beyond the 20 hours, or whether or not they are going to work at all. Older workers weigh whether it is worth it, and so I could not agree with you more.

One of the things that I understand is happening in the child care industry is that we are facing a severe staffing shortage because they are leaving. There is a tremendous turnover. Do you find that to be the case with seniors?

Ms. **Berry**. No, we do not. Union City Day Care Program does not have a high attrition rate, and we do not pay high salaries. Frankly, I do not know why this is true. We hope that it is because people are having a good time. Our motto is if the children are having fun, you are having fun.

I think when the older worker comes to us and they find a family. They find a place where they are needed, they find a place where they learn new things and new skills about children that they did not know before, and they feel as if this is a very worthwhile way to spend their time. And as noisy and as disruptive as our very busy classrooms can become, there is a great deal of attention, and love, and affection, that goes on between children and staff that is very healing, particularly for an older worker who might go home to an empty studio apartment.

Mr. HUGHES. Well, it is the same reason that they work in hospitals, the same reason they work in Mr. Pallone's campaigns, and my campaigns. The older Americans who work in my campaigns are just fabulous. They enjoy it. It is interesting. They meet new people. It gets them involved in something a little different. It keeps them young and alert. And so I think you are right on target with your program.

We are proud of what you have done in Union City, and we congratulate you. We thank you for your testimony today, and, Mr. Menendez, mucho gusto.

That concludes our hearing unless the gentleman from New Jersey has any other questions? Thank you. That concludes our hearing.

[Whereupon, at 4:48 p.m., the hearing was adjourned.]

APPENDIX

TEST CITY CHILD CARE CENTER, INC.
TRI-COUNTY COMMUNITY ACTION AGENCY, INC.
143 West Broad Street, Bridgeton, New Jersey 08302 • 609/451-6330 • 1-800/537-0130

ALBERT B. KELLY
Executive Director

MICHELLE LOATMAN
Board President

September 7, 1989

Brian T. Lutz, Staff Director
Select Committee on Aging
U.S. House of Representatives
714 House Office Building Annex 1
Washington, DC 20515

Dear Mr. Lutz:

As the Chief Executive Officer of a child care agency that covers three New Jersey counties, serves the daily child care needs of over 1,000 children from low income families and employs over 150 child care staff people, I am very enthusiastic about a bill that would exempt older Americans from the $8,880 earnings limitation .

This legislation would afford a great incentive for the experienced seniors in our community to join us in our efforts to provide child care for those low-income individuals who are trying to realize self-sufficiency.

It is no secret that salaries, particularly in child care targeted to our low-income populations, discourage the recruitment of quality child care providers. Although our providers are traditionally a dedicated group, some are forced to leave us for jobs that are less rewarding emotionally, but help to pay the bills. Our older employees, who have raised their families and still have a great deal of experience to offer to someone else's child, are our most valuable asset. Unfortunately, most of them can only offer part time work because they are concerned about their loss of benefits under the current law.

"People Helping People"

CUMBERLAND · SALEM · GLOUCESTER

Again, our agency heartily, supports Congressman Hughes' bill. I would be pleased to testify on behalf of this legislation.

Sincerely,

Albert B. Kelly,
Executive Director

ABK/am

cc: file

Report of the
Secretary of Labor

Older Worker Task Force: Key Policy Issues for the Future

January 1989

FOREWORD

When I came to the Labor Department, I had two studies on my desk, the Bureau of Labor Statistics Project 2000 and the Hudson Institute Report done with the Department of Labor called Workforce 2000. Clearly an aging population, a maturing work force, and fewer younger workers by the year 2000 were the highlights of those studies. It was within that context that I formed the Older Worker Task Force to evaluate the workforce implications of this demographic change.

These complex issues are being discussed and analyzed from the halls of the Congress, to corporate board rooms, to employee lunch rooms. We did not set out to provide the definitive answer, but rather to encourage the dialogue, explore responsibilities, and guide policy makers toward the key policy issues of the future. We recognize the important role of private sector employers in resolving the issues, and hope this document will stimulate greater activity.

The policy orientation of the Task Force serves to complement the many on-going efforts of the individual agencies within the Department of Labor on behalf of older workers. It has initiated new and expanded efforts and becomes a piece of a larger mosaic of already active Department involvement in serving this vital segment of the American workforce.

Our efforts will enhance the productivity of our economy and promote our global competitiveness, and position us to respond to the opportunities and challenges awaiting us in the 21st century.

Ann McLaughlin

Ann McLaughlin
Secretary
U.S. Department of Labor

EXECUTIVE SUMMARY

In June, 1988, Secretary of Labor Ann McLaughlin established a task force, consisting of executive staff from 11 Labor Department agencies and representing a wide range of responsibility for and interest in programs and policies affecting older workers. The goal of the task force was to examine issues relating to America's maturing labor force and outline policy alternatives to address these issues.

As with similar recent efforts by the Department of Labor to explore work force issues (e.g., child care, basic education and the quality of our nation's labor force) the Older Worker Task Force took account of projections for rapid and dramatic change anticipated for the American work force between now and the turn of the 21st Century. It focused on how these changes will impact upon today's mature, experienced workers, most of whom will be making decisions about retirement in the next two to three decades, as well as employers and public policy makers.

The findings and recommendations of the Task Force will serve to guide the work of the Department of Labor through the next decade. This report will contain a summary of the areas explored by the group as well as the conclusions reached during these discussions, specific action items for the Department, and a blueprint for the future to guide policy development on into the 1990's and beyond.

Organization of the Summary Report

Section One, "Tomorrow's Workforce," outlines major demographic changes in the work force, beginning now and expected to continue into the early decades of the next century. It highlights the growing need for older workers in a tightening U.S. labor market and the growing availability of older people capable of productive work. It also points out trends toward earlier retirement among Americans that may run counter to employers' plans to increase job opportunities for older workers.

Section Two, "Tomorrow's Workplace," addresses issues of the private sector about the supply of mature and experienced workers, giving examples of how employers have dealt positively with these issues. Besides concerns related to retirement such as pensions and benefits, this section examines several matters affecting the entire workforce that have special implications for older workers: human resource policies, organization of the work place, training and retraining, and job design.

In Section Three, "Key Public Policy Conclusions and Issues," the report offers conclusions and provides objectives for public policy affecting older workers. Governmental programs, actions and decision-making, that impact upon the supply of older workers, should be guided by these objectives. This includes programs such as Social Security, Unemployment Insurance, Medicare and Medicaid, as well as laws regulating pensions and job training programs. These conclusions can serve when reviewing past policy and as well as directing future policy development.

Major Findings

In Tomorrow's Workforce...

- *the median age of the workforce will be higher...*
- *older people will be healthier, live longer and be available for work longer...*
- *but older workers may opt for earlier retirement instead of continued employment.*

Tomorrow's Workplace...

- *will want and need more older workers...*
- *will need to reconsider traditional methods of recruiting, training/retraining and managing older workers...*
- *may be expected to restructure benefit packages to address the needs and expectations of the workforce, reduce job turnover, and offer incentives to mature, experienced workers to retire later.*

Key Public Policy Conclusions and Issues...

- *must enable older workers to remain in or return to the workforce without institutional barriers limiting their choices...*

- *must ensure that employers are not prevented from effectively responding to the opportunities and challenges for recruitment and retention of workers in light of demographic trends..*
- *should encourage workers and employers to pursue the most effective means for enhancing and upgrading the skills and capacity of the workforce to ensure the best utilization of our nation's human resources.*

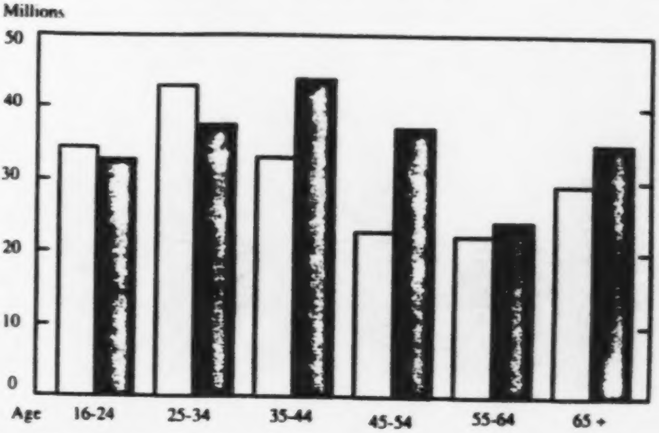
v

Tomorrow's Workforce

Introduction

A pivotal social event is occurring in this nation: the baby boom is maturing. This is an event of not inconsiderable consequences. Of particular interest to the Department of Labor is the fact that the population from which the workforce must be drawn will include fewer young people and considerably more older people. The specter of labor shortages arising from an anticipated drop in the number of new laborforce entrants, combined with the impending retirement of the baby boom generation only serves to heighten the interest. Because of its relentless approach, thoughtful attention should be given to the future as de-

Projection for the Year 2000
Individuals by Age (in millions)



	16-24	25-34	35-44	45-54	55-64	65 +
☐ 1986 Population	34.4	43.0	33.1	22.8	22.2	29.2
■ 2000 Population	32.8	37.5	43.9	37.2	24.2	34.9

Source: Bureau of Labor Statistics

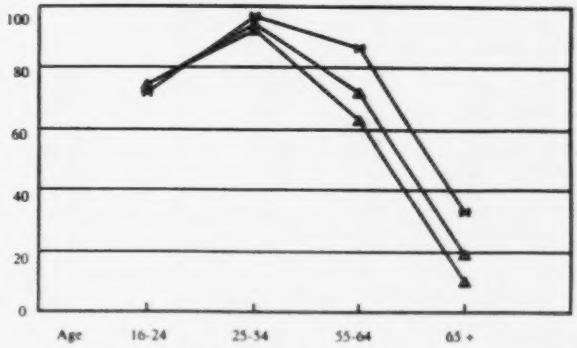
Figure 1. The number of older individuals will increase during the next decade, while the pool of potential younger workers will actually decrease.

scribed by the demographic projections discussed in this paper and their potential impact on the nature of work and retirement. Projected changes in the workforce and the economy will impact on the needs of society, the opportunities for employers, and the decisions of workers. Public and private institutions must be able to respond to the challenges offered by these projections.

Perspective

Over the next three decades, American workers will witness rapid and remarkable changes in the industrial and occupational structure of their workplace. Our workforce, indeed, the very nature of work itself, will undergo significant transformations . . . primarily the result of significant demographic and technological change.

Labor Force Poarticipation by Age
Projections for Men to the Year 2000



	16-24	25-34	55-64	65 +
1960	71.7	97.0	86.6	33.1
1980	74.4	94.2	72.1	19.0
2000	74.3	92.6	63.2	9.9

Source: Bureau of Labor Statistics

Figure 2. Participation rates for older males have been falling, and are expected to continue to fall

Yet, such changes are not without precedent. During the 1960's and 70's, the American economy met the challenge of absorbing the baby boom generation into the workforce. It is the challenge posed by the maturing of the "boomers" within the workforce, and their subsequent retirement during the first part of the 21st century, to which we must now turn our attention.

The trend towards earlier retirement, for example, has raised questions about the impact of current public and private policies on the match between the workforce and the workplace (see Figure 2).

As the Federal agency responsible for many issues regarding the welfare of the American worker, the quality of the American workforce, and the productivity of the American worker, the Department of Labor must ensure that public policies not only allow for but encourage free and full consideration of all opportunities and alternatives by workers and employers alike.

A brief summary of some of the demographic trends and projections serves to highlight the importance of work and retirement policies:

- By the end of the century, the median age of the labor force will increase from about 36 to 39.
- Between now and the year 2000, the number of workers over age 55 will slowly increase, while the number between the ages of 16 and 24 will be almost 1 million less than in 1986.
- During the early years of the 21st century, the number of older workers will increase dramatically.
- The average age of retirement has now declined to 61. Nevertheless, at age 61 more than half of men are still working.

Older workers are important to the success of American industry, not only as a resource for production, but also for the maturity and experience they bring to the workplace. To the extent that workers retire at younger ages, those qualities of the American workforce are diminished. At the same time, those who retire sever themselves from important sources of financial security, personal identity, a sense of achievement and a locus of social interaction. Therefore, retirement that is a "premature" departure from the labor force, especially if it is a result of inappropriate public policies or a lack of knowledge, becomes a real cost to the individual worker, the employer and the nation.

Moreover, staying in the workforce is not a discretionary choice for some older people with limited earnings histories and few alternative sources of income. For them, continued employment may be driven by economic need irrespective of leisure preferences. Key workforce issues for these individuals continue to be health, unemployment, and earnings potential.

Historical Background

Many labor force policies and institutions were created during the first half of this century when the nature of society was shifting from predominately rural, self-employed agriculture to extensive urban manufacturing. Human resource management tended to be guided by tradition. Jobs were designed around the technology of production. Work was expected to be physically demanding, and tasks were structured and compartmentalized, severely limiting flexibility and choice.

Workforce policies also responded to the pressure from a seemingly endless supply of young workers, and a growing interest in the concept of post-career leisure as the average life expectancy for a man rose from just over 43 years at the beginning of the century to almost 66 years by 1950. It was within this environment that early retirement became a symbol of social progress and prosperity, especially when it offered a release with dignity from many years of difficult working conditions or when the worker's health was failing.

More recently, society has been experiencing another shift, this time to a service-producing economy. Service industries have tended to be less structured and compartmentalized than manufacturing industries, and employers have had greater opportunity to offer part-time or part-year work as an alternative to retirement. Less physically demanding tasks, because of the introduction of advanced technologies into the workplace, can allow women and men more flexibility to choose to postpone retirement.

Workers of differing ages may place differing emphases on personal workforce objectives. For example, workers under the age of 50 may focus more on meeting current financial needs, making career advancement and reemployment after displacement major issues. Workers between the ages of 50 and 62 may be more likely to focus on preparation for retirement security, making the elimination of discriminatory policies that could jeopardize that security and the avoidance of risky career changes more important issues. For those workers over 62, if economic security is assured, the focus may be more on flexibility and choice that lead to personal satisfaction (see Table I).

Certain groups of workers, such as women and minorities, may experience special difficulties in the labor market that greatly reduce their options. While these difficulties may increase with age due to concerns over personal health, growing eldercare responsibilities, and the increasing gap between job seekers with limited or outdated skills and the needs of employers in a dynamic economy, these difficulties generally can be traced to deficiencies in education and labor force experience, or discrimination, not to age per se.

Table I. The relative importance of workforce issues may change with age.

Percent of Workers 40 and Over
Rating an Item A "Major" Reason for Working

	Order of Popularity	Age		
		40-49 (%)	50-62 (%)	63+ (%)
1.	Enjoy job/working	75	80	87
2.	Need the money	84	78	61
3.	Makes me feel useful	71	80	77
4.	Be productive/help others	64	72	73
5.	Work is an obligation	57	66	62
6.	Maintain health insurance	57	64	62
7.	Fulfill pension requirements	43	59	41
8.	Need to support family	58	44	22
9.	Fulfill Social Security requirements	38	55	38
10.	Need to pay health costs	44	41	32

Source: American Association of Retired Persons / Gallup Organization

The relatively lower earnings for blacks and women both predicts and explains the lack of options available for these groups as they age (see Table II). Lower wage jobs are less likely to offer pensions, and when they do, the lower wages translate into lower pension benefits. Social Security benefits are likewise related to wage history. Thus, for those who had lower wages prior to retirement, economic necessity may require post-retirement employment.

External forces, such as employer decisions and public policy, are not the only factors that influence the workforce, however. The way workers perceive the workplace also shapes their actions and decisions, regardless of specific policies or requirements. Workers who have been employed for a significant period of time may see themselves tied to their jobs because they have an investment in specific training which may not be transferrable to a new job. Or, they may have accrued considerable retirement benefits that would be at risk if they leave (sometimes referred to as "golden handcuffs"). Certainly, change to a new job carries with it a risk of failure and loss of earnings and/or self-esteem. On the other hand, competitive pressures from younger workers anxious to advance or the general tedium resulting from reaching a career plateau may provide the motivation for a change. Many see early retirement as the only appropriate alternative.

Table II. Although the earnings gap may be closing, average annual earnings for blacks' and women continue to lag behind white men.

Median Annual Earnings for all Workers and Those Who Worked Full Time Year Round by Sex, Race, and Selected Ages, 1987

	White	Black
MEN (All Workers)		
16 and Over	$21,071	$13,363
55 to 64	25,875	17,197
65+	7,499	5,306
WOMEN (All Workers)		
16 and Over	11,090	10,588
55 to 64	11,676	9,937
65+	5,544	3,337
MEN (Full-time, Year-round workers)		
16 and Over	26,268	19,118
55 to 64	28,595	20,304
65+	25,904	15,925
WOMEN (Full-time, Year-round workers)		
16 and Over	17,164	15,952
55 to 64	17,024	14,485
65+	15,510	9,582

Source: Bureau of Labor Statistics

The workers themselves may take a proactive role and take advantage of the opportunities offered by an aging population and expanding technology. Worker organizations can educate members about the changes taking place in the economy, and explore new approaches to work and retirement. Collective bargaining agreements can be restructured to reduce or eliminate disincentives for work beyond a certain age or an arbitrary number of years. Individuals can seek out new training opportunities and continuing education that will enable them to adjust to new circumstances on the job, and prepare for and make more informed decisions regarding their career and retirement.

Summary

In this new environment, where men have a life expectancy of 72 years and women of 78 years, and where the financial opportunity to choose leisure over work may be within the grasp of younger and younger pensioners, no single homogeneous group can be tagged "older workers." It is a relative term that must rely on parameters within the discussion for its meaning, so that it may variously refer to workers who are 47 years old or 74 years old, including:

- *Workers seeking additional training so that they can remain productive in a time of changing skill requirements.*
- *Workers seeking retirement security in the form of pension benefits as they prepare for the transition from work to leisure at the end of their careers.*
- *Workers seeking flexible alternatives to the existing job structure so that they may continue employment beyond normal retirement age.*

In general, except for stereotypes regarding aging, the issues confronting older workers are not unique to any single group. For example, the basic concepts of work include training, reward systems and economic security, task design and job responsibility, employee benefit structures and retirement. These describe the world of work in general, without regard to the age of the worker.

Tomorrow's Workplace

Introduction

The labor market is changing and has been changing throughout our history, and we can expect continued changes as we approach the 21st century. A shortage of skilled workers may occur as the number of jobs requiring higher levels of skill and education increases and the number of young entrants into the labor force decreases. Employers will need to plan for these changes in order to maintain their workforce and stay competitive in the changing labor market.

Employers are no more a homogenous group than workers. Their needs vary, depending on size of the firm, type of industry, and location. However, the anticipated tighter labor markets and skill shortages resulting from both the diminishing pool of young entry-level workers and the continuing trend toward early retirement, may force employers to rethink their current employment practices.

As we move into the workplace of tomorrow, we need a better match between the workforce and the workplace. To accomplish this, employers must reconsider traditional methods of recruiting, training/retraining, and managing of older workers. Far more attention needs to be given to the design of jobs and working conditions that are deliberately tailored to the distinctive capabilities, limitations, needs and preferences of older workers now employed and others who, under the right circumstances, might choose to become reemployed.

Most of the issues and problems affecting the entire workforce affect older workers as well, but perhaps more, such as

- automation/new technology
- changing working conditions
- changing products and jobs
- employee benefits

The seeds of the solution lie in these problems or challenges as well. Automation permits flexibility previously unimaginable. It is now possible to design technologies and working conditions that are expressly tailored to the needs of older employees. Flexible scheduling, job redesign, job sharing, and job reassignment are options that can be considered by employers and workers to meet a variety of needs for workers in general.

Employers need to be cognizant of a wide range of personnel and human resources management policies that affect older worker participation in the labor force. These include the changing definitions of both "retirement" and "leisure", job design, collective bargaining agreements, retirement planning and age neutral policies. As employers plan for the future, they will decide how best to meet their own needs as well as the needs of their employees. Policies that benefit older workers will benefit the entire workforce.

Tools to address the changing needs and expectations of older workers who wish to prolong their attachment to the labor force can assist employers in achieving goals of productivity, efficiency and cost savings and, enhance employment opportunities by addressing the changing expectations of older workers who wish to prolong their stay in the workforce.

- Positive personnel techniques are a valuable tool in enabling employers to develop necessary employment options to attract, retain, and effectively manage older workers regardless of sex, race or age. This strategy should simultaneously address attracting older workers and retaining those already in the workforce. These policies may serve to help derive new ways of utilizing human resources.

- Jobs and work environments can be redesigned according to ergonomic criteria which take into account the physical capabilities and limitations of individual workers. Also, job design and flexibility in scheduling such as flexitime, part-time, phased retirement, temporary employment are options that may enable older workers to continue working should they wish to do so. Older workers could be given opportunities to scale down their level of work involvement through job-sharing, part-time jobs and other kinds of reduced work schedules that allow them more freedom and flexibility and thus, may impact on their decision to leave the labor force.

- Employers should consider rehabilitation of older disabled workers who experience job-related injuries or illnesses in a similar manner as rehabilitation of all workers. Also, innovative injury prevention may be valuable in preventing certain types of injuries which are more likely to occur as workers grow older.

- **Continuous education and training of workers throughout their working life to impart new knowledge, develop new skills and create new job opportunities will have beneficial results for both workers and employers.**
- **In order to keep and attract older workers in the workforce, employers may begin restructuring their pension incentives as well as jobs. Some employers are already beginning to review the relative incentives to work or to retire because changing these incentives will take time, with business and labor management cooperation.**
- **Employee benefit issues are major concerns that impact older workers. Employer policies are important, particularly in the area of eldercare, defined benefit plans and long-term care.**

The workplace of the future will be a different place from that of today and employers need to recognize this and begin planning now. Below is a discussion of these personnel and human resource management policies that will affect the role older workers play in the future workforce.

Positive Personnel Policies

New human resource management policies can be a valuable tool in enabling employers to develop necessary employment options to attract, retain, and effectively manage older workers. Clearly some employers already realize that they must increase the utilization of older workers to ensure that they have the human resources needed to viably compete in an increasingly dynamic and internationally impacted economy.

> *For example, the Travelers Corporation abandoned its mandatory retirement policy before being legally required to do so and it amended its pension plan so that older workers who wished to "re-treat" but not retire could continue to work a substantial part of the year without loss of pension and health benefits. The decline in the number of young labor market entrants and the abundant*

supply of older workers may cause other employers, who experience labor shortages, to offer similar options.

These new personnel management policies should simultaneously address attracting older workers and retaining those already in the workforce. It can re-orient the thinking of workers and employers away from retirement as the automatic response to aging, and create new ways of utilizing human resources. To be effective, these techniques should address the barriers which tend to discourage labor force participation by older workers. These barriers include mindsets regarding retirement, e.g.,"30 and out"; certain pension policies, job search discouragement, marginal skills, and low levels of formal education.

The barriers are formidable but not insurmountable. Development and implementation of new human resource management policies can be instrumental in reducing their impact. Such strategies might include:

- Creative and targeted recruitment efforts designed specifically for older workers.
- Flexible work options, including part-time employment or reduced workloads, job sharing, flex-time, sabbaticals, and volunteer time. A 1986 Gallup Poll, commissioned by AARP, indicated that more than 40 percent of workers regarded such measures as major considerations in choosing whether to continue working or retire.
- Positive work environments which offer opportunities for upward mobility. The 1986 Gallup Poll disclosed that 44 percent of the workers surveyed between the ages of 50 and 62 wish to receive training to update their skills.
- Supervisory training for managers to overcome negative stereotypes about aging and employment.
- Pre-retirement planning programs that focus on options for continuing to work rather than primarily on early retirement.
- Development of work assignments to fit needs of older workers. Job redesign could reduce the highly stressful or physically demanding elements of identified jobs. These factors now contribute to both the employers' and older workers' perceptions that retirement is the optimum choice.

- Training and retraining opportunities that allow older workers to compete equally with younger workers. As noted earlier, 44 percent of workers between the ages of 50 and 62 desired training to update their skills.

Work Place Organization

Until recent years, and before the microprocessor "revolution," the design of work was governed almost exclusively by the principle of "technological determinism." That is, the machines and processes of production were developed according to standard engineering criteria of efficiency and deployed consistent with the tenets of Scientific Management—a "one best way" orientation that compelled workers to adapt as best they could. This approach had, and continues to have, adverse impacts on workers—physical, psychological and social. Particularly beset by technology induced problems are older workers, insofar as they are less able to cope with the physical and other demands of their jobs. Although the aging process does not render workers incapable of satisfactory job performance beyond any fixed age, many do experience some decline in physical capability and tolerance for particularly strenuous tasks.

With the evolution of automation, however, with the innumerable applications of computer chips, it is now possible to design technologies and conditions of work that are expressly tailored to the needs of employees.

> *For example, the Volvo plant in Uaddevalla, Sweden, is being ergonomically designed to accommodate a workforce in which 25% will be over 45 and 40% women. This means that tools must be physically less demanding. The Swedes expect a labor shortage and already have a difficult time attracting younger people to manufacturing. The Uaddevalla plant is being designed to meet this contingency. These are arrangements that not only apply the talents of workers far more than traditional production systems but also impose far fewer demands on them—less physical exertion, less stress and less need to be controlled by machine and line speed.*

In short, contemporary production processes need no longer evolve from a strict division of labor, ones that are designed by engineers, controlled by supervisors and managers and operated by rank-and-file within narrow limits and tight constraints imposed on them.

To the extent this new paradigm is adopted by American industry, it offers considerable promise for creating jobs and working conditions that are genuinely suited to the particular needs of older workers and which take a far less toll on their health and well-being.

Training/Retraining

Various studies and surveys show that both employers and older workers perceive training as a tool to increase productivity and job satisfaction of older workers. In a study conducted for the American Association of Retired Persons (AARP) by Yankelovich, Skelly, and White, Inc., it was found that employers believe that skill training for older workers would be effective in increasing their utilization, but that only 30% of companies were now attempting such programs.

Two examples of companies that are retraining for the future are:

- *Control Data Corporation: In addition to other programs for older workers, Control data offers a variety of training and retraining programs to its employees. One course is specifically designed to facilitate career changes within the company. The course is offered to professional employees 30 to 55 years old.*
- *Grumman Corporation: The New York based company also encourages career switches of its employees. The company offers career development programs in management and professional development, a Mid-Career Training program along with three special programs for female employees.*

In another study conducted for AARP by The Gallup Organization, more than 4 out of 5 workers, 40 and over desired training. (See Table I.)

Studies have also found that while older workers may take longer to learn a task and may need different training techniques, they can learn effectively. However, in many cases traditional classroom training has not proven effective. In most cases, training programs for older workers should be specifically designed for them. Recognizing that unique requirements demand unique services, added emphasis should be placed on tailoring/designing training programs and services that meet the needs and interests of older workers. According to 66 percent of respondents of a 1988 survey jointly conducted by the American Society of Personnel Administration and the Commerce Clearing House certain types of training techniques such as self-paced learning, experiential training, on-the-job coaching, pragmatic or application oriented training and training in which older workers, themselves, participate in designing are more effective in teaching new skills to older workers.

Table I. Training preferences vary by age and income.

Type of Training Preferred

	To Update Current Job Skills (%)	To Get A Better But Similar/Totally Diff. Job (%)	Not Related to Job (%)	No Training (%)
Total	39	36	10	10
40–49	37	43	12	4
50–62	44	33	9	10
63+	35	19	9	31
Sex				
Male	43	32	10	11
Female	35	42	10	9
Race				
White	40	34	10	15
NonWhite	31	45	10	16
Income				
<$12,000	27	42	15	13
12-23,999	33	38	11	13
24-34,999	44	33	9	8
35,000+	44	34	10	9

Source: American Association of Retired Persons

To insure the quality of the programs and services provided to older workers, adequate resources and investments, from both the public and private sector are required. From the public side, consideration should be given to designing employment and training programs that take into account the capabilities and special needs of this population and constructively invites their interests in a regular training program.

Job Design

Workers approaching retirement have indicated that reduced hours of work, whether part time or part year, might be an attractive alternative to full retirement. Flexibility in scheduling, job redesign, job sharing, and job reassignment are options that can be considered by employers and workers to meet a variety of needs, not only of older workers but workers in general. The proportion of part-time work increases after age 65 and has risen considerably in recent years. (See Table II.)

Table II. Part-time work is an option preferred by many over 65.

Persons Age 45 and Over At Work in Nonagricultural Industries by Sex and Full or Part-Time Status, Selected Years, 1960–1987

	Males		Females	
	45–64	65+	45–64	65+
1960				
Full time	94	70	78	56
Part time	6	30	22	44
1970				
Full time	96	62	77	50
Part time	4	38	23	50
1982				
Full time	93	52	74	40
Part time	7	48	26	60
1986				
Full time	94	53	76	40
Part time	6	47	24	60

Source: Bureau of Labor Statistics

Consideration should be given to allowing older workers opportunities to scale down their level of involvement through job sharing, part-time jobs and other kinds of reduced work schedules that allow them to experience a gradual rather than an abrupt transition from full-time work to retirement by progressively substituting leisure time for work time.

Health is also a factor influencing hours and type of work. Older people view their health positively but disability does increase with age. According to the National Center of Health Statistics, 69% of the elderly describe their health as excellent, 15% of people 65–69 report some difficulties and 49% of those over 85 do. However, the average number of workdays lost due to all acute conditions (flu, injuries, colds, etc.) for persons 18–44 was 3.3 days per year, while for persons age 45 and above, the average was 2.6 workdays per year.

Employee Benefits

With tightening labor markets and a dwindling supply of younger workers between now and the year 2000, employers can be expected to restructure their benefit packages to address the needs and expectations of the workforce, to reduce job turnover among workers under forty, and to encourage workers in their fifties and early sixties to retire later.

Policies directed at retaining workers could include increased levels of cash wages, greater employer-sponsored training opportunities, greater increases in wages with length of service, service-related cash bonuses and sabbaticals for longer-service workers, and other benefits such as leave, health care, and pension packages.

In order to address the needs of the entire workforce for flexibility and mobility, pensions could be made more "portable" through:

- dual defined benefit and defined contribution plan coverage, and
- the development of new forms of pension coverage which include some of the more desireable characteristics of both defined benefit and defined contribution plans.

Employers' policies to retain workers over age 50 may also include higher cash wages. However, substantial changes in retirement program incentives are even more likely. To retain workers who might otherwise retire, employers with defined benefit plans could replace the powerful early retirement incentives currently in those plans with equally attractive pension subsidies for workers who delay retirement until later ages. Employers with defined contribution plans could provide bonuses to workers who retire at later ages. All employers could make continued employment at later ages attractive by offering workers who become eligible for retirement certain other benefits for continued work such as increased annual leave, the opportunity to reduce weekly hours worked or some combination of reduced weekly hours and increased annual leave.

Health benefits, long-term care and eldercare are workforce issues that impact older workers, as well as the workforce in general. Women are particularly affected by eldercare responsibilities. Nearly three-fourths of all care givers for the frail elderly are women. As the population ages and the numbers of women in the workforce increases, employers will need to find ways to assist their employees in carrying out eldercare responsibilities—as they are with current child care concerns.

Since health benefit packages are a major factor affecting employee recruitment and retention, the extent of the benefits and the rising costs of such benefits are issues that will require both public and private attention in the coming years.

Some employers have begun to change traditional employment policies to meet the needs of older workers. For example:

> *Varian Associates, a Silicon Valley electronics company, established a Retirement Transition Program, enabling its employees to prepare for retirement by gradually reducing their workweeks three years in advance of their retirement date.*
>
> *Polaroid, based in Massachusetts, has several options for prospective retirees which are explained in pre-retirement planning and counseling sessions. Individuals may gradually reduce work hours by hours per day, days per week, or weeks per month. Salaries and pension credits are prorated and medical benefits are paid in full. Polaroid also has a trial program in which employees may take up to six months unpaid leave of absence. Employees may pay their own premiums and continue group insurance coverage.*
>
> *Kollmorgen Corporation offers employees at the Electro-Optical division in Massachusetts reduced hours through a rehearsal retirement program. One year prior to retirement, employees may reduce their hours to do volunteer community service. The year is divided into thirds: 4 days at the company, 1 day volunteer in the first period; 3 days at the company, 2 days volunteer in the second period; 2 days at the company, 3 days volunteer in the third period. The volunteer work must be non-profit, nonpolitical, nonreligious and be approved by the Industrial Relations Office. Eligible employees, full-time, aged 62 with 10 years service, receive full pay and benefits.*

Teledyne Wisconsin Motor, a heavy-duty engine manufacturer, faced a shortage of skilled workers and the possibility of a squeeze on their pension fund. To induce employees to remain with the firm they developed the "Golden Bridge" policy. The program provides graduated increases in vacation time, insurance, pension benefits and surviving spouse benefits based on age and years of service for each year the worker participates.

Summary

As we embark on an era of tighter labor markets and skill shortages, the issue facing the Nation is how to effectively institute measures to improve the work place environment for all workers. This will, of course, benefit older workers, but it also should substantially further the interests of the entire labor force and American industry as well.

Tools to assist employers are available to help employers improve productivity and efficiency and to enhance employment options for older workers. The challenge for employers is to tailor these tools to their own workplace settings.

Key Public Policy Conclusions and Issues

Introduction

The development of public policy is an on-going process, subject to continuous review and debate and shifts in focus as new issues arise (e.g., child care and eldercare) and opportunities occur to revisit old issues. This report does not intend to authoritatively decide matters of complex public policy—matters that will require the considerable skills of many segments of government and society. Rather we set out to encourage the dialogue, to explore responsibilities, and to guide policy makers.

We have used the demographic data base as a springboard in our analysis of the workforce issues affecting older workers; and we have adopted **three conclusions** which are consistent with our responsibility for workforce issues.

- *First, public policy must enable older workers to remain in or return to the workforce without institutional barriers limiting their choices.*

- *Second, public policy must ensure that employers are not prevented from effectively responding to the opportunities and challenges for recruitment and retention of workers in light of demographic trends.*

- *Third, public policy should encourage workers and employers to pursue the most effective means for enhancing and upgrading the skills and capacity of the workforce to ensure the best utilization of our nation's human resources.*

The Task Force examination of the issues has led to a delineation of **objectives** that can serve to guide future policy development activity as it relates to the workforce attachment decisions of older workers:

- **to promote age-neutral public policy,** in order to ensure:
  - — the welfare of the American worker
  - — the quality of the American workforce
  - — the productivity of the American worker without discrimination based on age;

- **to articulate the opportunities and challenges of changing demographics, technology, and markets** so that workers can knowledgeably choose among alternatives available, and employers can effectively manage their workforce needs;
- **to encourage employers and workers to remove impediments and disincentives** to continued employment based on age or number of years worked that may have been included in personnel policies or collective bargaining agreements;
- **to encourage engineers, managers, labor leaders and others to investigate new technologies and management practices** that may provide greater flexibility for workers scheduling and task design without compromising productivity;
- **to support research into the most effective training techniques** designed to enhance and utilize the talents and skills of older workers, and assist in the deployment of this information;
- **to design and administer employment and training programs** that take into account the capabilities and special needs of older workers;
- **to identify and disseminate new action strategies** that will enable employers to attract, retain and effectively manage older workers; and
- **to promote employee benefit plans** that will not only serve to increase the welfare and security of the workers but also provide a means for employers to reduce turnover and encourage continued employment of productive workers without regard to age.

There are a wide range of public policies that affect the decisions older workers make regarding labor force attachment, as well as the decisions of employers to offer the kinds of job opportunities older workers are seeking. The changing demographics and tighter labor markets force the Federal government to examine these public policies to see which enhance and which do not enhance older workers' voluntary participation in the labor force.

These public policies include—but are not limited to:

- **Social Security**
- **Employee Retirement Income Security Act (ERISA)**
- **Unemployment Insurance (UI)**
- **Training Programs**
- **Health Benefits—Medicare/Medicaid**

Social Security

During its history, the Social Security program has included a variety of institutional incentives that affected retirement behavior. However, because of changes made in the 1977 and 1983 Social Security amendments, and because more workers retire earlier from the labor force, Social Security no longer affects retirement behavior the same way it did in the past. Many of the incentive/disincentive effects that remain will be phased out over time.

The major decisions and impacts affecting labor force attachment decisions follow:

- Prior to 1977, Social Security's benefit formula provided a strong incentive to work to age 65 and then retire. Benefits were based on the workers' unindexed earnings over a short averaging period (years after 1950). As a result an additional year of work between age 62 and 65 replaced an early year's income, very small in nominal terms, with a recent relatively high year's income. Because of the earnings test, and the absence of a fair delayed retirement credit for work after age 65, few people worked past 65.

- The earnings test at that time clearly affected retirement behavior. Since that time, workers have begun to retire earlier and earlier (age 65 is no longer a particularly important retirement age). In addition, after a substantial phase-in period the 1983 amendments will make benefit payments actuarially fair for work after age 65. This will essentially eliminate one of Social Security's economic incentives to stop or reduce work after age 65.

- Wealth transfers through the Social Security program have also encouraged early retirement. Individuals retiring early on in the program received very high real returns on their contributions. This enabled workers to retire earlier than planned and has contributed to the declining labor force participation among older workers. However, these "wealth effects" should not distort the retirement decisions of baby boom retirees because real returns on their contributions will average about 2 percent—similar to normal market returns. These wealth effects were largely eliminated in the 1983 amendments which reduced benefits paid to future retirees through the raising of normal retirement age from 65 to 67.

The 1977 and 1983 amendments substantially reduce the work/retirement distortions attributable to Social Security. Still, until the delayed retirement credit is fully phased-in, there is an economic disincentive to work past 65 and the earnings test can represent a significant tax on work. The earnings test hurts those who must rely on earned income to supplement retirement income but does not affect those who have substantial income from savings. It is estimated that the labor force attachment decisions of between 350,000 and 2,000,000 individuals are affected by the earnings test.

This problem could be ameliorated through:

- **elimination of the earnings test,**
- **raising the income threshold to which the test is applied, or**
- **speeding up the full phase-in of the delayed retirement credit.**

Although the earnings test does affect some retirement decisions currently, it could be expensive to eliminate its effects. Policy makers should give these options serious thought—balancing the cost of changing Social Security with the costs to the economy of some reduced labor participation.

Finally, if the growing social security surpius is "saved", rather than spent financing current government spending, then generational transfers should not be a problem when the baby boom retires. Such a fiscal policy would contribute to greater national savings and a greater capital base from which to finance the baby boom's retirement.

Pension Coverage

Strong incentives to work or retire are much more important features of some private pensions than in social security. Defined benefit plans maintain very strong incentives to work to a certain age and retire at a certain age. Defined contribution plans are neutral with respect to retirement incentives. The defined benefit plan has strong incentives to stay until eligibility for early retirement and leave at normal retirement age. This is because the value of the pension accrues most rapidly near retirement and is not actuarially adjusted for work after the normal retirement age.

Employers utilize these incentives to increase productivity by rewarding longer tenure and reducing turnover. These plans are also used to manage the size and composition of the workforce by encouraging retirement at certain ages (early retirement incentives can be essential for an industry seeking to restructure or downsize its workforce).

Although the current incentives in defined benefit plans very clearly penalize those who work past the normal retirement age, three points should be made. First, Federal law does not prohibit an employer from actuarially increasing the benefits paid for work after the normal retirement age or from changing early retirement incentives. Second, as demographic changes make older workers more valuable the incentive structure specific to defined benefit plans may offer employers a unique mechanism to counteract earlier retirement trends. Third, because private pensions are voluntary arrangements, Federal prescriptions could seriously jeopardize employers' willingness to sponsor pension plans.

Finally, the government must develop innovative policies to minimize the extent to which workers with disrupted work are penalized for circumstances that may be beyond their control. For example, large firms that are forced to downsize frequently attempt to minimize lay offs and protect workers who may have the most difficult time finding new jobs. Lay offs are restricted to younger workers and workers nearing retirement are encouraged to retire earlier through special shutdown benefits and attractive additional benefits offered through early retirement windows.

Over the past eight years many new protections of pension rights have been added to ERISA. The Federal government should continue to strengthen these rights with particular sensitivity to those workers who must change jobs because of adjustments in the economy. At the same time, Federal regulations must be cautious not to eliminate an employer's ability to use pensions and other elements of compensation to adjust their labor forces in ways that impose the least burden on the workers who could be most adversely affected by such adjustments.

Unemployment Insurance

The role of Federal law in the Unemployment Insurance System is limited; State law primarily governs eligibility, benefit levels, and the payroll taxes to support those levels. The Federal/State UI system has a two-tier system of employer taxes. One tier is a Federal tax. The Federal Unemployment Tax Act (FUTA) levies a tax of 6.2% on the first $7,000 of wages an employer pays with respect to employment. A credit of up to 5.4% is available against that tax for employers in States with unemployment insurance laws certified by the Secretary of Labor as meeting all of the Federal law's requirements. All State laws are currently so certified. This credit feature leaves a residual Federal tax of 0.8%. The proceeds from this Federal tax are earmarked to pay for Federal and State administrative costs of the employment security system.

The second tier is a State tax. States levy an unemployment tax on employers to finance the payment of benefits. The wage base set by the States need not be the same as the Federal base, although, because of the structure of the system, there is a direct link between the Federal and State wage bases. In fact a majority of the States currently have a wage base higher than $7,000 (the highest is just over $21,000) and the median is currently $8,000. States establish the tax rates to be paid by the employers to reflect the employers' experience with unemployment and to replenish and maintain the State's account in the Unemployment Trust Fund.

By contrast, the wage base for purposes of collection of the Social Security tax, indexed to reflect the average annual wage in the U.S., is $45,000 and is expected to rise to about $49,000 in the next two years.

Analysis of the relationships between the parameters of the tax structure and various labor turnover categories suggests several questions: Does the tax cost associated with labor turnover give employers an inducement to reduce labor turnover in order to reduce taxes? Does this make part-time workers more expensive to hire? Is the cost significant enough to adversely affect employer decisions involving older workers?

Or is the marginal tax rate so low that even if all the theoretical analyses were correct, typical employers do not react to the tax incentives because the potential tax savings are so small?

Another UI issue deals with the FUTA requirement that States, as a condition of conformity with the Federal law, include in their unemployment insurance laws a provision that will reduce a claimant's weekly benefit amount by the amount of any pension, retirement pay, annuity or other payment the claimant is receiving based on the previous work of that individual. FUTA permits the States to limit the application of the required offset depending on two elements: whether the claimant contributed to the pension, and whether the employer whose account will be charged for benefits paid to the claimant was also a contributor to the pension the claimant is receiving.

This provision has been in effect since 1980. Prior to 1976, there was no pension offset provision in Federal law. The States were free to enact such provision and 31 States had done so prior to enactment of the Federal law provision.

Retirees have complained about losing this dual source of benefits. However, adjusting the pension offset may introduce a new disincentive effect for the employer. UI can be collected for only 26 weeks in most States and the employer, as the financier of the UI system, may be reluctant to hire a part-time worker who is already collecting a pension benefit financed partially or wholly by him. Would removal of the Federal requirement remove the present "incentive" to employ pensioned retirees, since it would increase UI charges to the employer in the event of a layoff?

Training Programs

Training is a key element in the success of most older workers participation in the workforce, whether it be job-related while employed or specialized assistance to those with serious problems such as poverty, illiteracy, unemployment, and dislocation. The Department of Labor's primary focus should be twofold: (1) improving employment and training programs which provide services that directly impact the employability of all older workers and particularly those with employment related problems, and (2) investing in research to encourage and provide guidance to employers on "what works" and "how to" vis-a-vis training older workers.

Of particular importance is the quality of JTPA training programs and apprenticeship efforts. The Department of Labor, through the Employment and Training Administration (ETA), currently funds programs that provide training and other related services to older workers. These training programs have primarily focused on extending the basic services provided to all workers to older workers. Recognizing, however, that unique requirements demand unique services, ETA can begin to place an added emphasis on tailoring or designing training programs and services that meet the needs and interests of older workers.

To ensure the quality of the programs and services provided to older participants, adequate resources and investments are required. Consideration will need to be given to designing employment and training programs that take into account the capabilities and special needs of this population and constructively invites their interests in a regular training program.

Special emphasis can be placed on the problems of older dislocated workers in the implementation of Economic Dislocation and Worker Adjustment Assistance Act (EDWAA). Also, a new look needs to be taken regarding constructive linkages between the Senior Community Service Employment Program (SCSEP) and JTPA to ensure maximum utilization of both programs.

Within the Bureau of Apprenticeship and Training, the Apprenticeship 2000 initiative will begin to address the issue of age discrimination, retraining of older workers, career paths through apprenticeship, and journeyman upgrading.

Health Care—Health Benefits

Access to health care and the continued affordability of such care currently presents public policy challenges and will continue to be a matter of public policy concern for some time into the future. There are as many as 37 million Americans (almost all under age 65) with no health insurance coverage from any public or private source. Employers are facing record health insurance increases of 15% or more annually to provide continued coverage to their active workforces. An estimated 16% of current retirees are covered by the health insurance plans of their former employers and the number of retirees, especially early retirees, receiving such coverage continues to grow.

Medicare costs, especially physicians' fees and costs for out-patient care, continue to rise rapidly. Financing the long-term care needs of the dramatically growing population of frail elderly as well as the younger old population continues to be a serious problem, and the potential costs of insuring such care continue to stifle both public and private initiatives to respond to this need.

Escalating health care costs cause concern for all groups in society and raise fundamental issues regarding the country's health insurance system, as well as the health care delivery system. Even if the problems of access to health care could be solved for the younger population and employers gain control over the escalating costs of insuring their active workers and dependents, public concern for providing adequate health care for all Americans is likely to continue to heighten.

Health care needs rise after age 55 and even more dramatically after age 65. The combination of increased numbers of older Americans and the continued trend toward early retirement in the short run will continue to exert pressure on employers' health insurance costs. Employer-sponsored retiree health insurance is a strong early retirement incentive and the unfunded retiree health insurance represents a huge potential liability for employers and younger workers. Because benefits are paid out of premiums, older individuals who are more likely to receive those benefits are subsidized by younger workers. This intergenerational transfer may not be sustainable as the older population continues to grow.

Many companies are faced with paying the premiums for health plans where half or more of the participants are retirees who no longer contribute to the company's output. Should Federal policy require that all employer-sponsored retiree health insurance programs be pre-funded? A pre-funded health benefits plan carries with it all of the management issues of any trust fund, including phase-in, vesting, portability, and Federal regulation with its implied guarantees.

Workers over the age of 65 must continue to be covered by the employer's health programs, even though non-workers or those not covered by an employer's program are eligible for Medicare. While Medicare was never envisioned as the primary health care vehicle for active workers, the appearance of equity may be a factor to be considered.

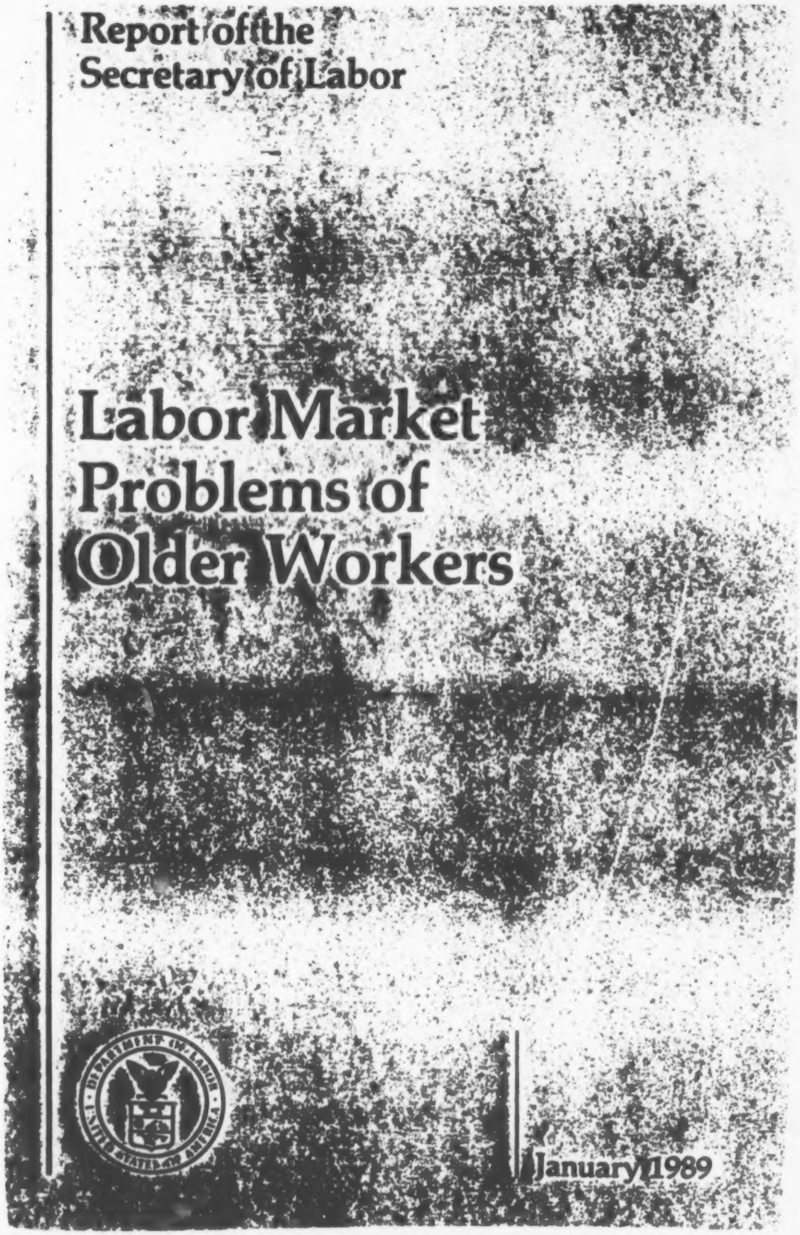
Persons who can afford to retire because of private pensions, asset income or social security are eligible for Medicare if they are 65; persons who must work because they can not afford to retire are putting pressure on the private health care system.

As labor markets tighten near the turn of the century, the current situation could reverse itself. With tighter labor markets and only a small reservoir of younger workers to draw upon, employers may want to restructure their benefits to retain healthy older workers in the workforce; and the public health insurance system is likely to become increasingly the insurer of the high cost, high risk, older population. Thus, employers may retain workers well into their sixties as long as they are healthy, but promptly retire workers when they encounter serious health problems.

There are no simple solutions that will relieve the current pressures on the health care system and also assure that, as the demographics of the population shift, health care costs will continue to be equitably divided among individuals, employers, and the public. In the area of health care, as in no other area, a close public-private partnership may be critical for assuring the affordable access to health care that will be needed to guarantee a healthy productive workforce and a secure old age.

Summary

The demographic reality of huge numbers of workers facing a decision to remain in or leave the workforce warrants serious consideration. The direction that the formulation of public policy will take into the 1990's and beyond will need to be guided by this reality. Workforce issues range from the need of the national economy for the skills and experience possessed by older workers, to our obligation to ensure that work also provides for a secure retirement. It is government's responsibility to ensure that public policy does not preclude free and full consideration of all opportunities and alternatives by the workers and employers alike.



Report of the
Secretary of Labor

Labor Market Problems of Older Workers

DEPARTMENT OF LABOR
UNITED STATES OF AMERICA

January 1989

FOREWORD

As we review the implications of an aging population, it becomes clear that we must pay particular attention to the problems of older workers. Public policy should strive to accommodate both those who are ready to retire and those who would like to continue to work. Institutional barriers must be lowered and innovative approaches developed. The efforts of private sector employers will be the major key to success.

This report, which was prepared by the Bureau of Labor Statistics, analyzes the labor market problems of displaced older workers. It reviews the available data on the extent and nature of unemployment, discouragement, and displacement. It also focuses on institutional arrangements, such as pension rules and the supply of part-time jobs that may limit the employment opportuities for older workers.

Older workers are a national resource. They are skilled and experienced. When they leave the labor force before they are ready, both they and society lose. I believe that attention to the developments discussed in this report will stimulate wide ranging discussion and lead to creative approaches on behalf of the Government and the private sector, to increase productivity, promote international competitiveness, and enhance the welfare of America's wage earners.

Ann McLaughlin

Ann McLaughlin
Secretary
U.S. Department of Labor

Preface

Congress, through the Labor Department Appropriations Act in Public Law 100-202, requested the Secretary of Labor to develop a report that addressed the labor market problems of older workers who had retired, who were pressured to leave a job, or who were reentering the labor force. This document is largely based on that report.

The report was prepared by Philip L. Rones and Diane E. Herz of the Office of Current Employment Analysis, Division of Labor Force Statistics, Bureau of Labor Statistics.

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CHAPTER 1.
Introduction

In recent years, Federal legislation has been passed to allow or encourage workers to extend their worklives. Anticipating a dramatic decline in the ratio of workers to retirees when the baby-boom generation retires, Social Security regulations have been altered to encourage later labor force withdrawal and to increase penalties for early retirement. In addition, age discrimination laws have been extended to protect workers from mandatory retirement at any age. At the same time, however, an opposite and more dominant force has influenced workers' retirement age; many employers have made earlier and earlier retirement possible through options offered in their pension plans.

The net result has been that retirement ages for men have fallen steadily during the post-World War II period.[1] In general, this has resulted from improvements in retirement resources—Social Security, pensions, and wealth.

Most workers today look forward to retirement at a relatively early age by historical standards—at age 62 or, often, younger. Even in hindsight, most are happy with the timing of their retirement decision. Some retirements, however, may not be strictly "voluntary," but, rather, they may be a response to actual or threatened job loss, or to a lack of adequate job opportunities for older workers. These retirements may only be voluntary to the extent that labor force withdrawal is the best option available. But some workers' "first choice"—either phased retirement, or a "second career" upon job loss or pension acceptance—is often not feasible because of institutional rules and job market realities. Workers faced with the choice between continued full-time employment (during which some pension benefits are often lost), part-time work for relatively low wages, or complete retirement generally opt for complete retirement.

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[1] The concept of retirement is more complex for women. That is because women in their fifties and sixties today often had very little work experience throughout their lives. As a result, they often do not choose a retirement age based on their own work history or pension resources. Labor force participation rates for women age 65 and over have followed the same trend as that for men—they have declined from a high of about 11 percent in the early 1960's to about 7 percent today. Participation rates for women age 55–64 have changed little over the last two decades.

This report recognizes that early retirement has been a welcome trend for the majority of older workers, and that today's earlier retirement ages have come about because of positive factors—increased real Social Security benefits, gains in pension coverage and levels, and increases in wealth among retirement-age individuals. Nevertheless, job market problems do exist for a relatively small group of older workers, and those persons are the focus of this report.

Background. The debate over retirement age has taken place as the economy has been undergoing a profound transformation. Despite substantial employment growth in many areas of the economy, the continued loss of jobs in manufacturing industries has displaced many workers from their long-held jobs, often with serious consequences to individuals, their families, and even whole communities. In addition, the increasingly competitive nature of many industries has led to "downsizing"—reductions in the size of a company's work force—and to mergers and acquisitions that often speed up cost cutting, resulting in the loss of jobs. Managers and other white-collar workers have also been among those losing their jobs as a result of these restructurings.

One of the many ways in which employers have responded to the current economic climate is through pension plan provisions that allow for much earlier retirement than had previously been common. Many have turned to the use of Early Retirement Incentive Plans (ERIP's) as a way to reduce their payrolls or to avoid layoffs. Such plans provide incentives for workers to retire earlier than they otherwise would have under the normal provisions of their pension plans. To many, ERIP's are seen as beneficial to both employees and employers. To others, these programs are viewed as thinly veiled attempts to target older workers for job loss.

The economy has experienced one of the longest peacetime expansions of this century—6 years as of this writing. However, the early 1980's were marked by two recessions in which several million workers lost their jobs in manufacturing, and job growth elsewhere was either slow or nonexistent. The plight of many middle-aged and older workers who were displaced from long-held jobs during the recession periods was well publicized in press accounts. And, while the extent and severity of such problems were difficult to quantify precisely, it was clear that some older workers had a difficult time reestablishing themselves in the job market.

Thus, during the decade of the 1980's, recession and economic restructuring have served to increase interest in the labor market situation of older workers. At the same time, another issue has continued to receive attention. Largely because of escalating divorce rates over several decades, changing views about work and marriage, and a desire for families to maintain or increase their living standards, significant numbers of women in their forties, fifites, and even some in their sixties reentered the labor force after considerable time outside of it, often with little experience and few current job skills.

While most of the growing body of research on older workers still focuses on the decision to retire, increasing attention has been given to those who do not wish to do so. This analysis focuses on the job market and institutional barriers to employment faced by those older persons who *would* prefer work to complete retirement.

Organization of the report. With these concerns as a backdrop, this report attempts to address as many of the issues related to the labor market problems of older workers as possible, given data limitations and measurement problems. Chapter 2 documents the extent of various labor market difficulties experienced by older workers, such as job loss, unemployment, displacement, etc., and examines the job market outcomes for persons who experience these problems. It continues with an examination of issues related to labor force reentry of older women.

Chapter 3 addresses the institutional impediments to employment of older workers, both in long-term careers and in postretirement jobs. More than any other factor, the extent of work activity of older persons seems to be affected by institutional rules—particularly those related to Social Security regulations and pension policy. The chapter is divided into three parts: the effects of Social Security and private pension regulations on work activity; the market for part-time jobs; and the importance of age discrimination. Chapter 4 offers some conclusions based on the study findings.

Age coverage. The legislation requesting this report recommends the inclusion of all workers age 40 and over as "older workers." For some issues, such an age break may be appropriate; for others, such as those related to retirement, an older cutoff is more relevant. In many cases, distinctions cannot be made between the labor market problems and behavior of older and younger workers until age 55 and older. Often, data limitations dictate the age detail and range that are available for investigation.

Data on minorities. During the preparation of this report, a number of organizations requested that efforts be made to distinguish between the labor market problems of older white workers and those of a wide range of racial and ethnic minorities. Unfortunately, there is a paucity of data on older minority group members who are unemployed and/or displaced from their jobs. This is generally because labor force surveys are too small to measure accurately the job market status of small population groups, particularly when the phenomenon being measured, such as unemployment, is experienced by only a small portion of the individuals in those groups. An extremely large (and costly) sample survey of the population would be required to allow for any substantial analysis of the labor market problems of the minority aged.

Still, there is no question that older blacks and other minorities are far more likely than whites to experience labor market problems. Limited available data suggest that older minority workers, like those of all ages, have higher rates of unemployment and discouragement and lower earnings than do older whites. These lifetime differences in employment and earnings generally mean fewer resources at retirement age. As a result, some older workers must maintain an attachment to the job market long after those with greater financial resources might have retired. As additional evidence of the precarious financial status of many older blacks and Hispanics, a report of the National Commission for Employment Policy (1985) found that older blacks were four times and Hispanics three times as likely as whites to experience labor market problems.[2]

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[2] These estimates were as of 1980 and related to eligibility for Comprehensive Employment and Training Act training programs. Low-income people who are part of the labor force are considered to have labor market problems whether they are employed or unemployed.

CHAPTER 2.

Unemployment and Other Labor Market Problems

Any discussion of the labor market problems of older workers should not only quantify the extent of those problems but should also put them into a meaningful perspective. While a few issues, such as forced retirement and age discrimination, are unique to older persons, many labor market problems, such as unemployment, job displacement, and labor market discouragement, affect workers of all ages. The key issue is the extent to which both the incidence and outcomes of these problems are different for older persons than for others.

Several sources of data provide information on labor market problems. The most useful ones for comparing the extent and outcomes of these problems between workers of different age groups are those that provide information on the entire working-age population. For that reason, this analysis relies heavily on monthly data from the Current Population Survey,[3] as well as several of its supplements. Longitudinal surveys often provide information for workers in narrow age ranges only, and hence cannot be used to make intergenerational comparisons of labor market experiences. However, because they follow individuals over an extended period of time, longitudinal surveys are especially well suited for examining the outcomes of labor market difficulties.

Prior to a discussion of some of the specific measures of labor market problems, it is useful to summarize the labor market status of older workers. Table 1 presents labor force data for workers age 45 and over. Until age 62, a majority of men work; for women, labor force participation rates are below 50 percent at age 60 and beyond.[4] With each addi-

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[3] The Current Population Survey is a survey of close to 60,000 households conducted by the Bureau of the Census for the Bureau of Labor Statistics. In addition to the regular monthly data, which provide measures (weighted to national population controls) for various demographic and labor force categories, the CPS can also be used to match respondents' labor force characteristics over periods ranging from a month to as long as 16 months. The 1-month match, referred to as gross flows data, is used several times in this report. Also, each March, respondents are asked a series of questions related to their labor market activity during the entire previous calendar year, rather than the 1-week time period used for identification of employment status in the monthly CPS. These March data are referred to as work experience data.

[4] These cross-sectional data for men basically show what happens as people age. For women, the decline in participation with age evident in the

Continued

tional year of age (beyond age 45), successively fewer men work and more are out of the labor force. Work activity drops off sharply at age 62 and again at age 65, corresponding to the age of first eligibility for Social Security retirement benefits and the age of eligibility for "full" benefits. In total, about 1.2 million workers age 45 and over were unemployed (out of a total unemployment count of 7.4 million), but only about 80,000 were age 65 and over. These data point out that the types of labor market problems experienced by older workers (however that group is defined) will vary markedly by age. Thus, the key issues go from unemployment and job loss, among the youngest groups, to post-retirement employment opportunities and pension rules among the oldest.

Labor market data are sometimes difficult to interpret. Such commonly used measures as unemployment rates, duration of unemployment, and discouragement, for example, may mean something quite different for older workers than for younger ones. This analysis examines a wide range of labor force data and discusses both their strengths and limitations. Often, their limitations dominate. That, however, is an important conclusion of this research: that there is much we do not know about job loss or employment opportunities for older persons.

The discussion is divided into three parts. First, various labor market measures, such as unemployment, discouragement, and displacement, are examined to assess what we do and do not know about the number of persons who lose their jobs or who might want a job for other reasons. Second, the outcomes of job loss and job search are examined. This analysis also includes a brief discussion of the effects of recessions on older workers' employment and an examination of issues related to labor force problems of older women.

Magnitude of the problems

Unemployment

Measurement and extent. The definition of unemployment used in the Current Population Survey (CPS) is specific: to be counted as unemployed, a person must not have worked at all during the reference week, have actively looked for work at some point during the previous

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cross sectional data reflects both an aging effect and large differences in the worklife patterns of successive generations of women (this is referred to as a cohort effect). See Herz (1988) for a discussion of the latter phenomenon.

Table 1. Labor force status of the civilian noninstitutional population age 45 and over by sex and age, 1987 annual averages

(Numbers in thousands)

Sex and age	Population	Labor force				Not in labor force	
		Employed		Unemployed			
		Number	Percent[1]	Number	Percent[1]	Number	Percent[1]
TOTAL							
45-54 years	23,183	17,487	75.4	723	3.1	4,972	21.4
55 years and over	49,943	14,506	29.0	490	1.0	34,946	70.0
55-64 years	21,835	11,465	52.5	412	1.9	9,958	45.6
55-59 years	11,036	6,949	63.0	255	2.3	3,832	34.7
60-61 years	4,420	2,275	51.5	87	2.0	2,058	46.6
62-64 years	6,379	2,240	35.1	70	1.1	4,068	63.8
65 years and over	28,108	3,041	10.8	78	.3	24,989	88.9
65-69 years	9,736	1,850	19.0	50	.5	7,837	80.5
70 years and over	18,372	1,191	6.5	29	.2	17,152	93.4
Men							
45-54 years	11,215	9,750	86.9	426	3.8	1,039	9.3
55 years and over	21,899	8,532	39.0	307	1.4	13,060	59.6
55-64 years	10,267	6,682	65.1	258	2.5	3,327	32.4
55-59 years	5,249	4,027	76.7	158	3.0	1,064	20.3
60-61 years	2,068	1,343	64.9	55	2.7	671	32.4
62-64 years	2,950	1,312	44.5	45	1.5	1,592	54.0
65 years and over	11,632	1,850	15.9	49	.4	9,733	83.7
65-69 years	4,411	1,108	25.1	30	.7	3,273	74.2
70 years and over	7,221	742	10.3	19	.3	6,460	89.5
Women							
45-54 years	11,968	7,737	64.6	298	2.5	3,934	32.9
55 years and over	28,054	5,973	21.3	184	.7	21,886	78.0
55-64 years	11,567	4,783	41.4	155	1.3	6,630	57.3
55-59 years	5,787	2,922	50.5	97	1.7	2,767	47.8
60-61 years	2,352	932	39.6	32	1.4	1,387	59.0
62-64 years	3,429	928	27.1	25	.7	2,476	72.2
65 years and over	16,476	1,191	7.2	30	.2	15,256	92.6
65-69 years	5,325	742	13.9	20	.4	4,564	85.7
70 years and over	11,151	449	4.0	10	.1	10,692	95.9

[1] Percent of population. For the unemployed, this figure should not be confused with an unemployment rate which is the unemployed as a proportion of the labor force.

Source: Bureau of Labor Statistics, Current Population Survey.

4 weeks, and be available for work at the time of the survey.[5] Thus, simply put, the unemployed must be jobseekers. Many have lost their jobs, but others have quit theirs or have begun a job search after being out of the labor force. Not included in the category are persons who are out of the labor force (not working or looking for work), whether or not they might want a job under certain circumstances. The magnitude of unemployment among older workers is shown in table 1. In 1987, about 700,000 persons ages 45 to 54, 400,000 ages 55 to 64, and fewer than 100,000 age 65 and older were unemployed in an average month. Men and women had fairly similar unemployment rates at each age.

The unemployment rates for older workers are well below the average for all workers. However, since the national average is inflated by the markedly high jobless rates for youth, it is most appropriate to omit workers under age 25 from the comparison with older workers, whatever the age cutoff. The tabulation below shows unemployment rates for men and women in various age groups in 1987.

Unemployment rates, 1987 annual averages

Age	Men	Women
25–34 years	5.9	6.2
35–44 years	4.4	4.6
45–54 years	4.2	3.7
55–64 years	3.7	3.1
65 years and over	2.6	2.4

Prior to the 1970's, the jobless rate for men age 55 and over tended to be higher than the rate for 25-to 54-year-olds. Since then, not only has the situation been reversed, but the gap between the older and younger groups has continued to grow and has tended to widen in recessions and narrow in recoveries. Some possible reasons for the recent differences in the rate of joblessness favoring older men include the following:

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[5] Persons on layoff from a job to which they expect to be recalled or who are scheduled to begin a new wage and salary job within 30 days are the exceptions to the job search requirement in the unemployment concept.

- Improvements in pension income have made retirement a viable alternative to employment for many older potential jobseekers. Several large increases in Social Security benefits were instituted in the early 1970's and payments were subsequently indexed to the Consumer Price Index to protect against erosion from inflation. Coverage of employees by private pensions has also increased since the 1960's. Thus, some persons who may have had to find a job in the past are now better able to retire (or stay retired).
- There has been a considerable increase in the use of early retirement inducements to lower labor costs and avoid layoffs. This method used to be closely associated with recessions, but the increased competitive pressure of the 1980's has made this a fairly common occurrence, even in a time of general economic expansion. Thus, older persons may avoid further work, and possibly layoff, by retiring, an option not available to younger workers.
- Rates of labor force reentry (proportion of workers who were out of the labor force in the previous month who are in the labor force in the current month) for older men are generally down from the late 1960's and early 1970's. That is, retired workers are more likely to stay retired. Thus, there may have been some downward pressure on older workers' jobless rates as fewer persons outside the labor force undertook a job search.

The above points all focus on the increase in both the incidence and permanence of retirement as explanations for the decline in unemployment among older persons. The option of being out of the labor force, not feasible for most middle-aged workers (particularly men), complicates unemployment comparisons between age groups in two ways. First, the incidence of unemployment among older persons is limited by labor force withdrawal. For example, a 40-year-old job loser is much more likely to show up in the CPS as unemployed than is a 62-year-old, who may choose to retire rather than undertake a job search. Secondly, duration of unemployment may be lowered by labor force withdrawal after an unsuccessful job search; in other words, a large proportion of the unemployment spells of older persons end in labor force withdrawal rather than employment. Had these persons persisted in their job searches, average durations of unemployment would probably be higher than they are. (See Rones, 1983.)

Are older jobseekers marginal jobseekers? Two groups of older workers exhibit quite different unemployment characteristics. For those between the ages of 40 and 54, unemployment is fairly easy to interpret. There is little question that most jobseekers in that age group are in the job market largely for financial reasons. They generally look for full-time work until they find a job (rather than give up their job search) because, aside from the earnings of other family members, they usually have no other major source of income to rely on if they end a search unsuccessfully.

It is tempting to portray older jobseekers age 55 and beyond as more marginal labor force participants—as many may have viable nonwork options. This characterization is consistent with the fact that a relatively high proportion end their unemployment spells by leaving the labor force rather than by gaining employment. While it is difficult to measure how much someone wants or needs a job, some data on job search and reason for unemployment shed light on the issue.

The data presented in table 2 tend to support the contention that the older the jobseeker, the more marginal the job search. However, the stereotype of the older person as not needing work is, in many cases, invalid. Generally, the higher the nonwage income, the less pressing the need for employment; but, for many workers, retirement income is not available prior to age 62 (age of Social Security eligibility). Thus, before that age, an older person may be no more able to finance extended time away from work than a middle-aged worker. In fact, as shown in table 2, prior to age 62, the vast majority of older unemployed workers were receiving neither Social Security nor other pension (including government pension) benefits. Fewer than 1 in 5 60 and 61-year-olds was receiving a pension other than Social Security. At age 62 and beyond, however, the majority of jobseekers have other sources of income.[6]

While these data clearly indicate that many older unemployed persons do have access to pension income, those still looking for work are

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[6] Data for persons in the oldest groups, especially those based on a single month, should be viewed with caution because of the relatively small number of unemployed persons these ages in the CPS sample.

Table 2. Pension receipt in 1986 of unemployed persons age 50 and over by sex and age, March 1987

(Percent distribution)

Sex and age	Total	No Social Security or pension	Social Security, no pension	Pension, no Social Security	Both
Men					
50–54 years	100	91	1	8	—
55–59 years	100	82	1	16	1
60–61 years	100	75	7	18	—
62–64 years	100	45	40	9	4
65 years and over	100	16	51	2	31
Women [1]					
50–54 years	100	96	4	—	—
55–59 years	100	83	7	10	—
60–61 years	100	93	5	5	—
62–64 years	100	26	52	5	17
65 years and over	100	6	52	3	42

[1] Much of the pension receipt for women age 62 and over reflects benefits based on the earnings records of their husbands.

Source: Bureau of Labor Statistics, March 1987 Current Population Survey income supplement

far less likely to have pensions than are persons the same age who are retired. For example, among unemployed men ages 62 to 64, 45 percent had no pension income; and among those 65 and over, 16 percent had none. Of those out of the labor force, the corresponding figures were only 16 percent and 3 percent, respectively. This supports the thesis that older unemployed workers tend to be those who are least able to afford to retire. (See Fraker, 1983; Harris, 1981 and 1976; and McConnell, 1983.)

Other characteristics of unemployed persons prior to age 62 indicate that job search is often very serious. The majority of older jobseekers under age 62 are persons who begin looking for work immediately after losing a job; they are not leaving retirement to look for work. As table 3 shows, in 1987, three-fourths of the unemployed men ages 55 to 59 were job losers—persons who were either on layoff or were permanently separated from their jobs.

Table 3. Percent distribution of unemployed workers by reason for unemployment, sex, and age, 1987 annual averages

Sex and age	Total	Job losers	Job leavers	Entrants
Men				
25–54 years	100.0	72.9	11.7	15.4
55–59 years	100.0	75.3	6.8	17.9
60–64 years	100.0	68.2	9.0	22.8
65 years and over	100.0	45.1	6.9	47.9
Women				
25–54 years	100.0	42.2	14.8	43.0
55–59 years	100.0	51.9	12.2	35.9
60–64 years	100.0	58.1	7.9	34.0
65 years and over	100.0	38.8	6.2	55.0

Source *Bureau of Labor Statistics, Current Population Survey*

Further evidence of the labor force commitment of jobseekers in their late fifties is shown in the tabulation below. Almost all of the unemployed men ages 55 to 59, and three-quarters of the unemployed women in that age group, were looking for full-time jobs in 1987.

Percent of unemployed seeking full-time jobs, 1987 annual averages

Age	Men	Women
45–54 years	96.9	80.2
55–59 years	92.4	75.3
60–64 years	82.0	62.1
65 years and over	46.9	40.0

In general, then, there is little evidence to distinguish the level of labor force commitment of unemployed persons in their late fifties and early sixties from that of central-age workers. Older jobseekers in this age range are largely people who lost their jobs, need (or want) full-time work, and do not have adequate financial resources to support themselves if they withdraw from the labor force.

Once individuals reach age 62, most have the option of receiving Social Security benefits. From that age on, with each year, unemployed workers are progressively more likely to take on the characteristics of a marginal jobseeker—someone who has retirement income, who is looking for part-time work (often to stay under the Social Security earnings limit), and who might give up a job search without finding a job. To illustrate the last point, table 4 uses CPS gross flows data and shows that the probability of unemployed workers in various age groups going from unemployment to outside the labor force in successive months in 1987 was greatest for older jobseekers. (See footnote 6.)

Table 4. Monthly probabilities of labor force withdrawal from unemployment by sex and age, 1987 annual averages

(Percent)

Age	Men	Women
45-54 years	12.0	25.0
55-59 years	14.0	26.8
60-64 years	26.9	34.9
65 years and over	42.6	42.9

Source Bureau of Labor Statistics, Current Population Survey gross flows data

Also, according to CPS data collected in 1976, job search efforts of men age 65 and older are less intensive than those of younger men; the older group spent roughly half as much time in job search as their 25-to 54-year-old counterparts (Rosenfeld, 1977). (Women's job search effort was essentially the same across the age spectrum.) Finally, older jobseekers are less likely than younger ones to persevere in their job search, although it is not clear to what extent aborting a search is job market related. (This issue is discussed later in the section on duration of unemployment.)

This discussion is not intended to understate the seriousness of the oldest groups' job search efforts. The fact that persons age 65 and older, ages at which most are retired, would look for work is evidence of need—either financial, psychological, or both. That their job search efforts often do not result in employment is certainly cause for concern.

Discouragement

A second widely used measure of labor market difficulty is that of labor market discouragement, a measure of the failure of the job market for persons outside the labor force. Technically, discouraged workers are persons who are not in the labor force who say they want a job but are not looking for one because they believe they would be unsuccessful if they were to undertake a search. There is no presumption that any recent job search has taken place by discouraged workers. In fact, some have not looked for work for many years and have no plans to do so. (Rones, 1983. Also, see Flaim, 1984, for a discussion of the labor market attachment of discouraged workers in general.)

Despite the marginal labor market attachment of some older discouraged workers, the measure is still important for analyzing this group. A worker does not necessarily have to engage in an active job search to conclude that the prospects of finding an acceptable job are not good. In certain circumstances, one may presume job prospects to be bleak without actually testing the waters. If persons indicate that they are available for work and want jobs, some credence must be given to that response. Also, those outside the labor force make up the vast majority of the older population, and labor market discouragement is often the only available measure of that group's potential labor supply.

Table 5 presents the official unemployment rate for workers in various age groups alongside a modified jobless rate that includes discouraged workers (in both the numerator and denominator). This is not to suggest that they should be included, but, rather, demonstrates the effect on the jobless measure if they were.

Differences in the two rates for older workers reflect a population phenomenon more than a job market one. For example, 12 times as many women age 65 and over are outside the labor force as inside. Thus, even if a very small portion of the not-in-labor-force group was made up of discouraged workers, they would have a large effect on the small labor-force-based measure. And, in fact, discouraged workers are only a minuscule portion of persons age 65 and older who are out of the labor force—only about 100,000 out of 25 million—less than half of 1 percent. At the other extreme, only about 6 percent of central-age men are out of the labor force, a very small pool from which discouraged workers may come.

Modifying the unemployment rate to include discouraged workers has virtually no effect for central-age men and a only a small effect for women in that age group. At the other extreme, however, for women age 65 and older, the new "jobless rate"is almost triple the original rate.

Table 5. Civilian worker unemployment rate and modified rate including discouraged workers, number unemployed, and discouraged workers by sex and age, 1987 annual averages

(Numbers in thousands)

Sex and age	Official unemployment rate	Rate including discouraged workers	Unemployed persons	Discouraged workers
Men				
25-54 years	5.0	5.4	2,283	178
55-59 years	3.8	4.6	158	34
60-64 years	3.6	4.8	100	34
65 years and over	2.6	4.8	49	44
Women				
25-54 years	5.1	5.9	1,850	338
55-59 years	3.2	4.3	97	33
60-64 years	3.0	4.9	57	38
65 years and over	2.4	7.1	30	61

Source: Bureau of Labor Statistics, Current Population Survey

In conclusion, one needs to be careful when analyzing the statement that older workers tend to be "overrepresented" among discouraged workers. Such a finding is to be expected when the potential pool of discouraged workers includes all those outside the labor force, a group that accounts for the majority of the older population. The real problem of discouragement, however, may be understated by the official measure. For many retirees, the types of job offers available to older workers are at such odds with their job market aspirations that they may not even consider employment an option. In addition, Social Security and private pension rules often provide substantial disincentives to work after retirement. (See chapter 3.) Thus, some individuals who report that they "do not want a job now" could be responding to what they perceive as the prevailing conditions of employment.

Displacement

CPS displaced worker survey. Older workers, like workers of other ages, have been affected by structural changes in the economy. These include changing demographics, increased foreign competition, and long-term shifts in the industrial structure of employment. Special supplements to the Current Population Survey conducted in 1984 and 1986 found that about 5 million experienced workers lost their jobs as a result of plant closings, slack work, or the abolition of a job or shift during the 5 years preceding each survey (Horvath, 1987; and Flaim and Sehgal, 1985). The January 1986 supplement found that 950,000 of these displaced workers were age 55 or older. (See table 6.) Thus, older workers constituted almost one-fifth of all displaced workers identified in the supplement.

The tabulation below presents displacement rates for workers in 1984 by age:

Age	Displacement rate
TOTAL	1.63
25–34 years	1.95
35–44 years	1.54
45–54 years	1.33
55 years and over	1.57

Source: Bureau of Labor Statistics, January 1986 Current Population Survey supplement

These represent the proportion of workers with 3 years of employer tenure who were displaced from their jobs. That year was chosen because it was felt to provide the most accurate single-year measure of displacement of the 5 years recorded in the January 1986 survey—1981 to 1985.[7] (Rates cannot be derived for the entire period, since a 5-year employment total—the necessary denominator—could not be estimated.) The appropriate denominator in such a calculation would be the number of employed persons in January 1984 who had at least 3 years of tenure. Since employer tenure data were not collected in 1984, tenure distributions for each age group were taken from a 1983 supplement to the CPS and applied to the 1984 displacement data. (Applying the tenure distribution from 1987, the next, and most recent, survey, provides essentially the same relative displacement rates between age groups in 1984 as do the 1983 tenure data.)

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[7] The earlier years may understate displacement because of problems of recall (such events may be reported to have occurred more recently than they actually did) and the year immediately preceding the survey may be inflated because persons who will eventually be recalled to their jobs may, at the time of the survey, perceive their displacement as permanent.

Table 6. Employment status of displaced workers [1] by sex and age, January 1986

Sex and age	Number (thousands)	Percent distribution by employment status			
		Total	Employed	Unemployed	Not in labor force
TOTAL					
Total, 20 years and over	5,130	100.0	66.9	17.8	15.3
20-24 years	222	100.0	69.1	23.2	7.7
25-54 years	3,950	100.0	72.5	18.1	9.4
55-64 years	789	100.0	47.4	17.6	35.0
65 years and over	169	100.0	23.4	4.3	72.4
Men					
Total, 20 years and over	3,321	100.0	70.9	18.6	10.5
20-24 years	146	100.0	74.1	20.4	5.5
25-54 years	2,605	100.0	76.1	19.6	4.4
55-64 years	482	100.0	50.2	15.3	34.5
65 years and over	87	100.0	24.5	6.2	69.3
Women					
Total, 20 years and over	1,810	100.0	59.6	16.2	24.1
20-24 years	76	100.0	59.6	28.7	11.8
25-54 years	1,345	100.0	65.7	15.2	19.0
55-64 years	307	100.0	43.1	21.2	35.8
65 years and over	82	100.0	22.2	2.2	75.6

[1] Data refer to persons with tenure of 3 years or more who lost or left a job between January 1981 and January 1986 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

Source: Bureau of Labor Statistics, January 1986 Current Population Survey displaced worker supplement.

In 1984, workers age 55 and over had displacement rates that were almost identical to those of workers ages 35 to 44 and slightly above those of workers ages 45 to 54. That may seem surprising, in that older workers are generally perceived as being more insulated from layoff than their younger counterparts. On the other hand, a larger proportion of the displacement reported by older workers than by younger ones (in the entire 5-year sample) was the result of plant closings, events from which seniority offers no protection. In fact, two-thirds of the older displaced workers cited plant closings as the cause for their displacement. (See table 7.) Older women, because of their much shorter average tenure than men, rarely enjoy even the limited protection afforded by seniority. Also, declining industries—from which workers are most likely to be displaced—tend to have an older age profile than

Table 7. Displaced workers[1] by reason for job loss, sex, and age, January 1986

Sex and age	Total displaced (thousands)	Percent distribution by reason for job loss			
		Total	Plant or company closed or moved	Slack work	Position or shift abolished
TOTAL					
Total, 20 years and over	5,130	100.0	54.7	31.2	14.0
20-24 years	222	100.0	56.8	30.4	12.8
25-54 years	3,950	100.0	52.2	33.9	13.9
55-64 years	789	100.0	65.0	20.5	14.5
65 years and over	169	100.0	64.0	21.0	14.9
Men					
Total, 20 years and over	3,321	100.0	53.7	34.5	11.8
20-24 years	146	100.0	58.3	32.2	9.5
25-54 years	2,605	100.0	51.3	37.1	11.5
55-64 years	482	100.0	64.4	22.7	12.8
65 years and over	87	100.0	57.0	24.2	18.9
Women					
Total, 20 years and over	1,810	100.0	56.7	25.3	18.0
20-24 years	76	100.0	54.0	27.0	19.1
25-54 years	1,345	100.0	53.9	27.5	18.6
55-64 years	307	100.0	65.9	17.0	17.1
65 years and over	82	100.0	71.6	17.7	10.8

[1] Data refer to persons with tenure of 3 years or more who lost or left a job between January 1981 and January 1986 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

Source: Bureau of Labor Statistics, January 1986 Current Population Survey displaced worker supplement growing industries. For example, in 1987, 18 percent of workers in manufacturing were ages 45 to 54, compared to only 11 and 13 percent, respectively, in the faster-growing retail and business and repair services industries. Thus, their concentration in declining industries puts older workers at a relatively high risk for losing their jobs.

Other measures of displacement. No national survey provides a complete count of job loss; the CPS, for example, limits the count of job losers to those who are not working but who are actively looking for work. However, the National Longitudinal Survey (NLS) of Mature Men has been used by Parnes et al (1977, 1981) to document the extent of job loss among long-service male workers between 1966 and 1975. While somewhat old, these data and the authors' analysis are still useful in the unemployment discussion. Among men who were ages 55 to 69 in 1976, 1 in 14 had lost a job in which he had been employed at least 5 years during the previous 10 years. This represented about half a million such men in the population.

Like displaced worker data from the CPS, the NLS data show that permanent displacement hit men in all occupational groups, irrespective of educational background or job tenure. Shapiro and Sandell (1984), also using NLS data, analyzed all job losses, rather than just those from long-term service, and found that a disproportionate share of job loss occurred among workers with short tenure.

Data issues

The Current Population Survey and other data sources provide a wide range of measures of labor market performance of older workers. Proper analysis of these data, however, requires that their precise concepts and definitions be understood.

By itself, the unemployment rate is clearly not sufficient as a measure of the relative job market difficulties faced by older and younger workers. Unemployment rates for workers in their fifties and sixties are much lower than those of workers in their twenties and thirties. This is partly because older workers are less apt to leave a job voluntarily to search for another. But there is also the question of seniority. Many analysts believe that older workers who have seniority are protected against job loss. Such a line of reasoning, however, assumes that job loss is less likely for older workers than for younger ones—a conclusion that cannot be made from unemployment statistics. Unemployment is a better proxy for job loss for other groups—men in their thirties and forties, for example. This is largely because many older job losers avoid unemployment by withdrawing from the labor force, an option not feasible for most younger workers. While unemployment statistics *are* an excellent measure of job search activity—exactly what they are designed to be—their use for other purposes is limited. Other measures of labor market problems, mentioned earlier, are similarly limited in that intergroup differences are often difficult to interpret.

The best data currently available on job loss of workers of different ages—those obtained from several supplements to the Current Population Survey on permanent displacement—indicate that older workers may suffer nearly as much job loss as younger ones. This suggests that other factors may offset any advantages seniority provides to older workers. These data on displacement are collected infrequently, they only count certain types of job loss, and their 5-year retrospective nature presents some technical problems.

The most important longitudinal data base for this type of analysis—the National Longitudinal Survey (NLS)—was specifically designed to measure many of the labor market problems experienced by older workers. It permits analysis of problems as individuals age, but does not permit comparison of labor market problems of survey participants with those of workers in other age groups. Furthermore, the NLS panels on mature men were discontinued in the early 1980's, leaving only information on labor market developments of a younger group of women. The biggest advantage of longitudinal panel surveys is that, by following the same people over an extended period of time, they can be used to examine the *outcomes*, such as changes in earnings or labor force status, of various labor market events experienced by individuals. For that purpose, the NLS data are utilized extensively in this report.

Outcomes of Unemployment and Displacement

What happens to older workers when they lose a job or become unemployed? With younger workers, the eventual outcome of unemployment is usually employment. Particularly among men in the central ages of 25 to 54, few have resources that allow them to spend an extended period of time out of the labor force. The receipt of unemployment insurance may allow workers to finance job search for some period of time, but eventually, the vast majority of these workers will find employment.

For older workers, the scenario may be very different. As shown in table 8, the probabilities of an unemployed person leaving the labor force increase sharply around retirement age. Fully 43 percent of both unemployed men and women age 65 and over, for example, were not in the labor force after being unemployed the previous month. This compared with only 11 percent of the men between the ages of 25 and 54. In addition, the probability of finding a job tends to be lower for older workers than for younger ones. (See footnote 6.)

Table 8. Labor force status in current month of persons unemployed in previous month by sex and age, 1987 annual averages

(Percent distribution)

Sex and age	Total	Employed	Unemployed	Not in labor force
Men				
25-54 years	100.0	29.1	60.0	10.9
55-59 years	100.0	23.6	62.4	14.0
60-64 years	100.0	17.3	55.8	26.9
65 years and over	100.0	19.1	38.3	42.6
Women				
25-54 years	100.0	24.0	51.1	24.8
55-59 years	100.0	21.6	51.5	26.8
60-64 years	100.0	20.6	46.0	34.9
65 years and over	100.0	14.3	39.3	42.9

Source: Bureau of Labor Statistics, Current Population Survey gross flows data

Duration of unemployment

One of the most important issues related to job loss is the amount of time persons spend unemployed when they do look for work. That older job losers have longer durations of unemployment than do younger ones is usually considered a truism. For example, a National Commission for Employment Policy (1985) report stated: "While persons over 45 have the lowest unemployment rates, when they do lose their jobs they take longer to find new ones—at least up to age 60, when retirement rather than continued job search becomes a standard option." The data presented here suggest that, while that statement might be true, the evidence is ambiguous.

Recent data on duration of unemployment for workers of various ages come directly, or can be derived, from a number of sources, including: 1) the regular monthly CPS, 2) the CPS gross flows data, 3) the work experience supplement to the CPS, and 4) the Survey of Income and Program Participation (SIPP). Each of these data sources allows for the estimation of duration of unemployment; however, the findings regarding age differences are often unclear or even contradictory. Although the discussion that follows is somewhat lengthy, it is warranted since a basic premise—the positive relationship between age and duration of unemployment—and its interpretation are in question.

The monthly CPS. The most often used data on duration of unemployment for persons of various age groups are the only regularly published data on that topic, which come from the monthly CPS. As shown in table 9, these data indicate a steadily rising median duration of unemployment with age, up until age 65. Durations among workers age 65 and older are held (or brought) down by the high probability of jobseekers that age ending their search by leaving the labor force.

These CPS data refer to the amount of time that persons who are currently unemployed have been looking for work. Thus, they do not measure the length of a *completed* spell of unemployment; rather, they measure the current length of an *in-progress* spell. Such data may tell little about the eventual length of a completed spell.

Gross flows. CPS gross flows data can be used to estimate the duration of a completed spell of unemployment. Since these data match the labor force status of individuals in consecutive months, the probabilities of a person who was unemployed in a given month ending that spell of

Table 9. Median duration of in-progress spells of unemployment by sex and age, 1987 annual averages

(In weeks)

Age	Men	Women
16–19 years	4.4	4.0
20–24 years	6.3	4.6
25–34 years	8.4	6.1
35–44 years	10.8	6.8
45–54 years	12.4	7.3
55–64 years	13.2	7.9
65 years and over	8.1	6.5

Source: Bureau of Labor Statistics, Current Population Survey

unemployment by the next month can be estimated, as was done in tables 4 and 8. The technique used to convert these probabilities into estimates of the duration of a completed spell of unemployment is described in the appendix.

Table 10 provides estimates of the expected duration in weeks of a completed spell of unemployment for workers in various age groups. The results indicate that, unlike in the basic CPS data, duration may not go up with age; in fact, in 1987, durations for men were flat through age 59 and declined thereafter. Using this technique, Rones (1983) found that over the entire 1968–81 period, men age 60 and over had an estimated duration of a completed spell of unemployment that was about 1 week shorter than that for men ages 25 to 44.

But the CPS gross flows data in table 8 also show that many older jobseekers end their job search without finding work. In fact, for men in the oldest age groups and for women of all ages, more spells of unemployment are ended in labor force withdrawal than in employment. In this calculation, such labor force withdrawal serves to lower the expected durations of unemployment for older workers relative to younger ones.

What would happen if this calculation were limited to those who actually went from unemployment to employment? Table 10 also presents an estimate of the expected duration of a completed spell of unemployment that is limited to those who find a job. Since the likelihood of

Table [illegible]. Expected duration of a completed spell of unemployment and a successfully completed spell by sex and age, 1987 annual averages

Sex and age	Expected duration (in weeks)	
	Completed spell of unemployment	Successfully completed spell of unemployment [1]
Men		
25–34 years	10.3	12.4
35–44 years	11.2	13.5
45–54 years	11.5	14.9
55–59 years	11.4	15.7
60–64 years	9.7	18.2
65 years and over	7.0	12.9
Women		
25–34 years	8.7	13.5
35–44 years	8.9	13.5
45–54 years	8.7	13.2
55–59 years	8.9	14.5
60–64 years	7.7	13.9
65 years and over	7.5	16.1

[1] Expected duration for spells ending in employment.

Source: Bureau of Labor Statistics, Current Population Survey gross flows data

going from unemployed to employed is lower for older male jobseekers than for younger ones, the expected durations of successfully completed spells are higher for the older groups. This finding, then, supports the contention that older jobseekers may take longer to find a job, though it is not clear to what extent this is related to employers', or to jobseekers', preferences or behavior. The relatively short durations of unemployment for men age 65 and over might suggest that they have an easier time finding employment (the part-time jobs for which they look may be more plentiful than the full-time ones sought by younger workers). On the other hand, it may mean that an individual's job search behavior and alternatives to employment may be as important as employers' preferences in determining the outcome of unemployment.

The CPS work experience supplement. Each March, the CPS includes a series of supplemental questions on labor force activity during the previous calendar year—including weeks employed, weeks unemployed, and weeks out of the labor force. Unemployment may involve more than one spell, and older and younger persons with unemployment are about equally likely to have had more than one jobless spell. As shown in table 11, for the recessionary year 1982 and for 1987, there were not large differences in the number of weeks of unemployment across the age spectrum, although the medians are highest for 55-to 64-year-olds. In fact, in either measure—the median time unemployed or the percent unemployed 15 weeks or more—few differences exist between age groups.

Table 11. Median weeks of unemployment and percent unemployed 15 weeks or more by sex and age, 1982 and 1987

Sex and age	Median weeks of unemployment experienced		Percent unemployed 15 weeks or more	
	1982	1987	1982	1987
Men				
25–34 years	17.3	14.6	53.0	45.7
35–44 years	17.5	14.5	52.7	44.8
45–54 years	17.1	15.9	51.1	48.6
55–64 years	17.9	17.1	52.5	51.4
65 years and over	17.7	14.6	54.6	46.2
Women				
25–34 years	13.9	11.3	44.5	35.2
35–44 years	14.1	12.2	44.5	38.7
45–54 years	14.6	13.9	45.3	42.0
55–64 years	17.1	14.4	47.7	44.7
65 years and over	14.4	12.4	45.5	41.4

Source: Bureau of Labor Statistics, March 1983 and 1988 CPS work experience supplements

Survey of Income and Program Participation (SIPP). Data from the SIPP were used to estimate the length of a completed spell of unemployment for workers whose entire spell of unemployment took place within the (roughly) 1 year covered by the available data.[8] (Spells that

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[8] Unemployment spells can be interrupted by short spells of employment or periods out of the labor force lasting no more than a few weeks at a time.

Continued

had started prior to the survey period or had continued beyond it were not counted because the full length of those spells could not be calculated.) In line with the CPS work experience data, there seems to be little relationship between age and duration of job search, although, for men, durations are slightly higher above age 55. (See table 12. Note that these data are in months, not weeks, as in the CPS measures.) In addition, there appears to be no difference whether one looks at all completed spells or just those that ended in employment. This implies that spells ending in labor force withdrawal tend to last just as long as those ending in employment.

Persons who drop out of the labor force without finding a job are different from those who persevere in their job search until they find employment. As reported by Fraker (1983) in his analysis of Retirement History Survey data from the early 1970's, persons who drop out tend to be those with prospects for the lowest wages or those with the greatest amounts of nonwage income. Those who find employment either have the best prospects (which would give them a shorter duration) or the most need (a case could be made for this resulting in either a long or short average duration of unemployment).

The SIPP data suggest that, on average, older workers take about the same amount of time to find a job as younger ones, a finding which conflicts with the CPS gross flows data. But are the SIPP findings reasonable? Many observers interpret differences in duration of unemployment among age groups as reflecting primarily (or exclusively) the demand for younger, rather than older, workers. However, the data indicating that duration of unemployment may not be any longer for older than for younger workers suggest that other factors must also be influential. (The gross flows data also suggest this, as discussed in that section.) In fact, supply factors may be just as important. On average, an older jobseeker is likely to have more financial assets [9] (Avery et al,

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The 1983-84 SIPP longitudinal research file is a preliminary file produced by the Census Bureau on a limited basis to stimulate research that might improve understanding and analysis of longitudinal data from the SIPP. Estimates produced from the file and findings based on those estimates should be regarded as tentative.

[9] According to the Survey of Consumer Finances (Avery et al, 1984) both older labor force participants and retirees over the age of 55 have considerably higher mean and median levels of financial assets than do younger persons. These data do not, however, distinguish between unemployed and employed labor force participants.

1984), fewer financial responsibilities [10] (U.S. Bureau of the Census, 1988), and more nonwage income than a younger unemployed person. For some older persons, these factors may make retirement possible, allowing for an aborted job search. For others, these same factors may prolong the job search, as older persons may be able to absorb the costs of an extended period of unemployment. As a result, it is difficult to determine what durations of unemployment mean for groups who not only face different job market offers, but who also have different work and nonwork options.

Thus, the data on duration of unemployment may not provide a useful indication of how difficult it is for persons of various ages to find work. Duration of unemployment measures how long people (who may have very different job market motivations) have been looking for a job, or how long they take to find one. The notion that older workers have a harder time finding a job than do younger ones, while quite possibly true, is not clearly supported empirically.

Displacement

What happens to older workers who can be specifically identified as having lost their jobs? The 1986 CPS displaced worker survey (mentioned earlier) showed that older displaced workers were less likely to be reemployed and far more likely to be out of the labor force than were their younger counterparts. Those 55-to 64 years old were about as likely as all displaced workers to be measured as unemployed, but those 65 years or older were very much less likely to be. (See table 6.)

Among unemployed displaced workers, almost 30 percent of those 25 to 54 years of age reported that they were on layoff—an indication that the worker perceived some probability of recall. Only 21 percent of older displaced workers (both sexes combined) were classified as on layoff—not surprising when such a large proportion (two-thirds) were victims of plant closings. (See table 13.)

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[10] According to the Census Bureau (1988), 4 of 5 "householders"ages 25 to 44 live in families with related children under the age of 18. Only a third of those ages 45 to 64 have dependent children, as do only 6 percent of householders age 65 and over.

Table 12. Median duration of completed spells of unemployment in 1984 by sex and age

Sex and age	Median duration (in months)	
	Completed spell of unemployment	Successfully completed spell of unemployment
Men		
25–34 years	3.3	3.3
35–44 years	3.4	3.4
45–54 years	3.3	3.4
55–61 years	4.1	3.9
62–64 years	3.7	3.8
65 years and over	4.0	3.4
Women		
25–34 years	3.1	3.1
35–44 years	3.4	3.5
45–54 years	3.3	3.2
55–61 years	2.7	2.8
62–64 years	3.5	2.7
65 years and over	2.8	2.5

Source: U. S. Bureau of the Census: Special file from Survey of Income and Program Participation. (See footnote 5.)

Among persons who were no longer in the labor force, the reason for nonparticipation differed by age. Older displaced workers reported, at a rate almost triple that of their younger counterparts, that the reason they were not currently looking for a job was that they thought it would be impossible to find one. That is, 17 percent of older displacees who were out of the labor force were discouraged workers, compared to only about 6 percent in the central-age group. Those most likely to be discouraged about the prospects of finding work were 55-to 64-year-olds.

Even among the reemployed, the impact of displacement is often severe for older workers. Among those who had lost full-time wage and salary jobs and who subsequently found full-time work, older persons were more likely than others to have suffered a 20-percent or greater loss in earnings relative to those in their previous job. Also, they were less likely to be earning more than they had been before displacement. (See table 14.)

Podgursky and Swaim (1987), using January 1984 displacement data, also found that, on average, persons with long tenure on their lost job

Table 13. Percent distribution of unemployed displaced workers by reason for unemployment, sex, and age, January 1986

Sex and age	Total unemployed	Job losers		Job leavers	Entrants
		On layoff	Other		
Men					
25-54 years	100.0	30.2	60.8	3.9	5.1
55 years and over	100.0	26.3	62.5	2.5	8.8
Women					
25-54 years	100.0	26.3	55.6	4.9	13.2
55 years and over	100.0	15.2	75.8	0.0	9.1

Source: Bureau of Labor Statistics, January 1986 Current Population Survey displaced worker supplement

often had the most substantial earnings losses. Among employees with many years of tenure, earnings losses were greatest for men in blue-collar jobs, particularly for those in higher wage factory jobs.

Women accounted for slightly more than 40 percent of the displacement of older workers measured in the January 1986 CPS survey. One factor that increases women's vulnerability to such permanent job loss is their concentration in manufacturing industries that have been particularly hard hit by foreign competition. In 1987, women accounted for 33 percent of employment in all manufacturing industries, but 78 percent in apparel (and other textile products), 55 percent in leather and leather products, and 48 percent in textile mill products. While nearly 7 in 10 displaced workers in all industries were working as of the survey date, only 5 in 10 formerly employed in apparel and textiles had found jobs. Fully 30 percent of workers displaced from those industries were out of the labor force.

Using NLS data on women who were ages 45 to 59 in 1982, Gagen (1987) found that "job loss led to an increase in women's unemployment and to their leaving the labor force, suggesting underutilization as well as reduced labor supply are the legacies of displacement for women (p. 170)." Wage deterioration is a problem for all groups of displaced workers, although perhaps less so for women than for men. Older women tend to have less employer and occupational tenure than do their male counterparts, and, hence, probably lose less in terms of firm or occupation-specific human capital. Also, because women's earnings in general are quite low, there is less room for wage erosion to occur.[11] In the same study, Gagen also found, not surprisingly, that women with relatively high wages before displacement were much more likely to suffer wage declines than were women with low predisplacement wages.

Although frequently cited as a severe problem for older workers, changes in occupation subsequent to displacement occur slightly less often among older workers than among workers ages 25 to 54. Nearly half of reemployed displaced workers in both groups were in jobs at least broadly similar to their old vocations. On the other hand, because fewer older displacees actually return to work (perhaps many withdrew from the labor force rather than accept such an occupational downgrade), the proportion of all displaced workers employed in their old profession is lower among older persons. Parnes et al (1981), in their analysis of the NLS cohort of middle-aged and older men, found that job losers in that sample did experience a slide down the occupational ladder. About 45 percent of the displaced workers were in jobs of lower status in 1976 than in 1966, compared with 26 percent of a control group of nondisplaced workers. Similarly, the average hourly earnings of displaced workers in 1976 were one-fifth below those for the control group.

As was the case for all displaced workers identified in the CPS supplement, just under two-thirds of older workers who lost jobs received unemployment insurance benefits. However, older workers more frequently reported long-term (27 weeks or more) receipt of unemployment benefits and were less likely to move to another city or county in search of a new job.

Pensions or Social Security provided some cushion against more severe hardships for many displaced older workers. As shown in table 15, just under one-half of all displaced workers age 55 years and over received a pension, Social Security benefits, or some combination of both. Unemployed persons were those most likely to be without such benefits; their continued job search was, by implication, a reflection of their lack of alternative sources of income. Over three-quarters of dis-

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[11] The data shown in table 14 may understate this effect. Among women who are shown to have experienced earnings losses of 20 percent or more, losses may be more concentrated around that 20-percent mark than they are for men.

Table 14. Percent distribution of displaced workers who lost full-time wage and salary jobs between January 1981 and 1986, and who were reemployed in January 1986, by earnings at new job, sex, and age

Sex and age	Reemployed in full-time wage and salary jobs				
	Total	Earnings relative to lost job			
		20 percent or more below	Below, but within 20 percent	Equal or above, but within 20 percent	20 percent or more above
TOTAL					
25–54 years	100.0	29.6	13.5	26.4	30.6
55 years and over	100.0	38.0	20.0	24.9	17.1
Men					
25–54 years	100.0	31.3	12.9	26.0	29.8
55 years and over	100.0	42.3	17.8	27.6	12.3
Women					
25–54 years	100.0	25.0	15.2	27.3	32.6
55 years and over	100.0	29.3	24.4	19.5	26.8

Source: Bureau of Labor Statistics, January 1986 Current Population Survey displaced worker supplement

placed older workers who left the work force had some pension and/or Social Security income. Even among the currently employed, about a third of older displaced workers received pensions or Social Security benefits or, infrequently, both. In contrast, virtually none of the displaced workers ages 25 to 54 years received retirement benefits.

In summary, the limited information available on the subject suggests that displacement from a job, and particularly a career, often has very serious long-term effects on workers' economic security. While many quickly recover by promptly acquiring another job at comparable wages, many others experience extended periods of unemployment, find jobs in new occupations in which their earning power is greatly reduced, or even withdraw from the labor force. From one point of view, older workers are most negatively affected by displacement, because they rarely have the opportunity to recoup the associated losses.

Thus, displacement late in one's worklife often has a permanent negative economic effect.

The outcomes of older workers' displacement appear, in general, to be worse than those of younger job losers. Older workers are more likely than young ones to leave the labor force and to cite labor market discouragement as their reason for not looking for work. For some, however, such labor force withdrawal, when accompanied by pension resources, is a "luxury" not available to younger job losers. Still, having the retirement option does not indicate that an individual has been spared serious negative consequences of losing a job. Pension amounts for those workers probably provide only a fraction of predisplacement earnings.

Researchers have stressed that retirement, particularly when coupled with some form of pension receipt, provides a socially acceptable way for some workers to deal with problems of chronic unemployment (Bould, 1980; and Griffith, 1984). They stress that policies related to retirement prior to age 65 should take into account the role of unemployment in pushing workers out of the labor force into early retirement.

Table 15. Percent distribution of pension receipt of displaced and nondisplaced workers by labor force status and age, January 1986

Age and pension status	Total		Employed		Unemployed		Not in labor force	
	D [1]	N [2]	D [1]	N [2]	D [1]	N [2]	D [1]	N [2]
25-54 years	100	100	100	100	100	100	100	100
Pension, no Social Security	2	2	2	1	3	1	4	3
Social Security, no pension	1	2	(1)	1	1	2	1	8
Both	(1)	(1)	(1)	(1)	(1)	(1)	(1)	1
Neither	97	96	98	98	96	96	95	89
55 years and over	100	100	100	100	100	100	100	100
Pension, no Social Security	17	6	17	7	10	9	20	5
Social Security, no pension	18	42	12	16	6	19	28	53
Both	13	20	3	5	3	5	28	26
Neither	52	33	68	72	82	67	24	16

[1] Displaced
[2] Nondisplaced
(1) Less than 0.5 percent.

Source: Bureau of Labor Statistics, January 1986 Current Population Survey displaced worker supplement

When they do find jobs, older workers are more likely to end up in part-time employment than are younger ones. Given the higher incidence of voluntary part-time work among older persons in general, however, this outcome is difficult to interpret. When reemployed at full-time jobs, older workers are more likely to have experienced wage losses, reflecting the higher levels of firm-specific human capital they lose due to displacement. Low wages of women in general probably make wage loss less of an issue for older women than for men, but displaced older women are those most likely to withdraw from the labor force entirely.

Effects of recessions

Much of the information thus far in this report has related to recent events and developments in the work force—events that have occurred during an unusually long period of economic expansion. Evidence suggests, however, that the incidence and severity of labor market problems experienced by older workers increase considerably in recessions.

Unemployment and displacement increase for all groups during recessionary periods. Older workers' unemployment tends to rise at a slower rate than that of central-age workers (see table 16), although it is not clear whether the same can be said for job loss. For those older workers who do experience unemployment or job loss during recessions, the outcomes are often quite severe. As evidence, Shapiro and Sandell (1984), using National Longitudinal Survey data for older men, found that the national unemployment rate had a profound effect on their probabilities of labor force withdrawal and on the duration of unemployment for those who chose to look for work. (Duration of unemployment, of course, rises for all groups during a recession.) Likewise, while they found little or no earnings reductions for reemployed job losers during the period of very low unemployment in the late 1960's, losses averaged about 6 percent for persons who lost their jobs during the 1970's.[12]

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[12] This calculation does not include earnings losses for the period without work, or for persons who were unable to find a job.

Table 16. Percent increase in the number of unemployed persons during various recessions, by age

Age	Recessions[1]		
	1969–70	1973–75	1980–82[2]
20–24 years	118	102	88
25–54 years	107	128	145
55 years and over	97	97	90

[1] The peaks and troughs in unemployment (seasonally adjusted quarterly averages) for each age group were used rather than the official peaks and troughs as designated by the National Bureau of Economic Research.

[2] The period from early 1980 to late 1982 is treated as a single recession rather than as two separate ones.

Source: Bureau of Labor Statistics, Current Population Survey

While other researchers have measured the effects of unemployment on labor force withdrawal (Bould, 1980 and Griffith, 1984), they do not compare that phenomenon over the business cycle. It can be inferred, however, that, if older individuals who experience unemployment have a high probability of retiring, then such a phenomenon occurs more frequently in recessions, when more people are unemployed.

Special Problems of Older Women

Labor market reentry

Interest in labor market reentry by middle-aged and older women has increased in recent years. Key questions include: Why do women leave the labor force and why do they return? What happens to women who seek employment after a period of absence from the labor force? How many experience unemployment? What types of job offers are available? What kind of wages do they obtain? What barriers do they face to reemployment?

Women leave the labor force for many reasons. While rearing children is most frequently cited, many leave to care for ailing or elderly family members or to move from one geographic location to another—often to accommodate a spouse's employment transfer (Shaw, 1988). Similarly, women enter the labor force for diverse reasons. While some seek employment primarily to gain personal satisfaction, most enter out of economic necessity—often in response to widowhood or to separation and divorce. A husband's low earnings, disability, or unemployment can also precipitate women's labor market reentry.

Because understanding women's labor market exit and reentry behavior requires that individuals be followed over an extended period of time, the most useful data come from the National Longitudinal Survey (NLS). One of the groups surveyed in the various NLS panels was the mature women's cohort, who were ages 30 to 44 in 1967 and were between 50 and 64 when last interviewed in 1987.

Evidence from the NLS points to a tremendous variation in these women's worklife patterns and indicates that as many as two-thirds may have experienced reentry. Shaw (1986) found that among NLS respondents, only 20 percent of women had worked continuously (26 weeks or more each year) from 1967 to 1982, while an even smaller proportion, 13 percent, had no work experience at all. The remaining 67 percent exhibited various patterns of labor force entry, withdrawal, and/or reentry.

Labor force reentry rates of adult women have risen substantially in recent years—that is, those out of the labor force are more likely to seek employment than they were in the past. According to the CPS gross flows data, in 1970, 6.1 percent of all women in their late thirties and early forties who were out of the labor force in an average month had entered by the following month. By 1987, that rate had increased to 10.4 percent. This measure of labor force reentry also increased for women in their late forties and fifties, but declined slightly for those age 60 and over.

It is important to note that the experiences of members of the NLS mature women's cohort may be unique to their generation. These women first entered the labor force in the 1940's and 1950's, when most women were not usually expected or encouraged to work. Marital status often determined their work activity, and women reentering the labor force had a wide range of employment experiences. Also, black women were much more likely to have worked than were white women.

In the future, reentrants will have had more work experience than those before them. Women in their twenties and thirties today have a much stronger work attachment than did their mothers or grandmothers when they were that age; in 1987, 7 in 10 women between the ages of 25 and 34 were in the labor force, twice the proportion three decades earlier. Also, in the future, variations by marital status and race will be much less dramatic (Herz, 1988).

Unemployment among reentrants. In 1987, more than a third of all female jobseekers age 45 and older reported that they were entering the labor force (primarily as reentrants but also a few as first-timers). This is more than twice the proportion of entrants among unemployed men. In an average week, roughly 180,000 women age 45 and over were unemployed entrants.

While it is often assumed that labor force reentry necessarily involves unemployment, research using the NLS found that only about a third of female reentrants in 1972 experienced a period of unemployment before finding a job (Jones, 1983). Most moved directly into employment from out of the labor force—perhaps by being offered a job through friends or other contacts, or by returning to a previous job. In general, the fewer years of work experience and education a woman had completed, the greater were her chances of being unemployed at reentry.

Unfortunately, the women most likely to experience unemployment tend to be those with the fewest resources to finance a job search. Women who are reentering the work force after divorce or their husband's death, for example, often do not have recent work experience (some do not have any) and may lack the money needed to support themselves or their children during a prolonged job search.

Wages at reentry. The wages of reentrants may be lower than those of continuous workers for a number of reasons. First, women who take time out of the labor force lose work experience—which generally leads to higher earnings. Second, workers may suffer some degree of "skill depreciation," making them less attractive to employers even in their old occupations. And third, leaving the labor force ceases the accrual of firm-specific human capital. In other words, in a new job, a worker is often "starting over."

Estimates of wage loss at reentry have varied widely. Applebaum (1981) found that years of schooling completed, post-school investments in human capital (especially completing a training program), and types of jobs held prior to leaving the labor force all affected the level of wages and prestige of jobs women held after reentry.

The effect of skill depreciation may be minimal. Most studies have found that when female reentrants are paid less at a new job than they were before they left the labor force, they quickly catch up (Shaw, 1982 and 1983). The fact that many women earn very low wages both prior to leaving the labor force and again upon reentrance indicates that the widespread employment of women, especially older women, in low-wage jobs, is probably of greater concern than is wage loss due to reentry.

Low-wage employment and occupational segregation

Job search is often defined as successful if a job is found, although even such success may leave women on the economic margin. As table 17 illustrates, in 1987, women age 16 and over who worked full time and year round had median annual earnings of $17,047, 65 percent of men's ($26,312). Earnings were highest for women in the 35 to 44 age group, at $19,319, but were still well below those for men the same ages.

Older women earned even less than women in the central age group—those in their late fifties or early sixties earned $16,721, and those 65 or older, $15,200. Furthermore, these full-time, year-round earnings were higher than those received by the average older woman worker, as most over age 61 worked either part time, part year, or both.

Table 17. Median annual earnings of year-round, full-time workers by sex and age, 1987

Age	Both sexes	Men	Women
16 years and over	$21,823	$26,312	$17,047
16–24 years	13,143	13,996	12,591
25–34 years	20,753	23,603	17,237
35–44 years	25,545	30,514	19,319
45–54 years	25,657	32,397	18,356
55–64 years	23,959	30,031	16,721
65 years and over	19,418	25,382	15,200

Source: Bureau of Labor Statistics, March 1988 Current Population Survey income supplement

Recent media attention has focused on movement into nontraditional jobs; yet women are still concentrated in a few low-paying occupations. Fully half of women in their late twenties and early thirties, and 6 of 10 of those age 55 and older, are currently employed in three traditionally female job categories—retail sales, administrative support (including clerical), and services (Herz, 1988). These jobs are often low-skilled and pay wages that are well below average. In 1987, the median earnings of all year-round, full-time workers in retail sales were $12,508; in administrative support, $17,207; and in services, $13,571. In contrast, the national average for all occupations was $21,680. Private household jobs, in which older black women predominate, paid only $6,955—about equal to the annualized minimum wage. Thus, for many women, the best possible job search outcome—finding a job—provides only a marginal level of economic security.

Several explanations have been offered for women's occupational segregation and low wages. Human capital explanations stress the importance of educational levels and work experience. These supply-side explanations also suggest that some women may only be willing to take jobs that are compatible with home responsibilities, such as in services and education. Demand-side explanations usually stress discrimination, such as in hiring and promotion policies (Roos and Reskin, 1984).

From a human capital standpoint, older women are probably at the greatest disadvantage in the labor market; on average, they have less experience than men and less education than both men and younger women. In 1987, as table 18 illustrates, 4 in 10 women age 55 or older had not completed high school, compared to only 1 in 10 women between ages 25 and 34. Only 9 percent of older women had completed 4 or more years of college; this compared with 16 percent of men age 55 and older and 22 percent of young (25 to 34) women. Educational attainment was especially low among black women age 55 or older, with fully 66 percent having less than a high school education.

Table 18. Educational attainment of the population by sex and selected ages, March 1988

(Percent distribution)

Years of school completed	Men		Women	
	25–34 years	55 years and over	25–34 years	55 years and over
TOTAL	100.0	100.0	100.0	100.0
High school:				
Less than 4 years	14.9	40.7	12.5	39.9
4 years	40.3	31.6	42.9	39.2
College:				
1 to 3 years	19.8	11.2	22.1	11.5
4 years or more	25.0	16.4	22.4	9.4

Source: Bureau of Labor Statistics, March 1988 Current Population Survey

Explanations for women's occupational segregation also focus on employers' preferences—such as for a homogeneous work force—and on formal and informal policies that discriminate on the basis of sex. Even policies that are not intended to be discriminatory, such as promotions based on seniority and preferences for veterans, often work against the advancement of women. Also, jobs held by white men are most likely to provide training, which results in their career advancement (Hoffman, 1981). Hence, their employment in low-wage jobs is often only temporary. The jobs held by women (and black men), in contrast, often lack such training opportunities; and career advancement is frequently more lateral than upward, locking workers into relatively low-paid employment (Roos and Reskin, 1984).

The extent of sex discrimination is extremely difficult to measure, although it is clear that women currently in their forties, fifties, and sixties have experienced more overt sex discrimination than other groups.

Prior to the passage of the Civil Rights Act of 1964, employers could advertise positions under sex-labeled classifications. Also, Title VII of the Act made illegal protective labor laws that limited the types of jobs women could hold and the number of hours they could work (National Research Council, 1986, chapter 3). Still, despite legal protections against sex discrimination, researchers have found little decline in occupational segregation in recent years; what small changes have occurred have been limited to young women (National Research Council, 1986, chapter 2).

Older women may also be subject to age discrimination, particularly in hiring. A study of age discrimination cases filed under the Age Discrimination in Employment Act found that lawsuits filed by older women were most often for discrimination in hiring and promotion, while older men cited involuntary retirement or termination more often (McConnell, 1983). This reflects the fact that older women are much more likely than older men to be out of the labor force, and,, hence, to be subject to hiring discrimination. Informal networks and employers' contact systems used in hiring are likely to exclude older women, who have often been out of the labor force for several years and who may have had only minimal work experience. Finally, promotion systems that favor long-service workers are not helpful to middle-aged or older women who have had fewer years of work experience or have changed employers upon returning to the labor force. (See chapter 3 for a further discussion of age discrimination.)

CHAPTER 3.

Institutional Impediments to Employment of Older Workers

Much of the discussion of job market problems presented in this report relates to workers who have lost a job in which they had some career investment. Most workers, however, end their careers by receiving any expected pension benefits at the expected time and retiring. And, as often reported, the age of retirement has fallen steadily. Early retirement—a term often used to describe retirement that occurs before the age of 65—has become the norm. In fact, almost 4 of every 5 workers who obtained their initial awards for Social Security benefits in 1986 were between the ages of 62 and 64, and the vast majority were 62 (Social Security Administration, 1987). Similarly, BLS data show that, by age 62, almost half of all men are completely out of the labor force (they are neither working nor looking for work) and by age 64, three-fifths are "retired" by that definition.

The majority of retirements are abrupt, largely reflecting the attractiveness of retirement to many who have worked since very young ages. Still, a sizable share of workers prior to retirement age indicate that they would prefer a phased retirement. Harris (1981), for example, found that 36 percent of workers age 55 and over said tht they would prefer to retire gradually as opposed to stopping work completely. Jondrow et al (1987) also cite a number of studies that report workers' preference for phased retirement. A common finding is that the majority of workers who say that they would like to work part time beyond their normal retirement age want to remain in either their same line of work or with the same employer. Workers quite accurately perceive that their value to their current employer is much greater than it would be to a new one, particularly in a new occupation. Also, like most workers, they are probably more comfortable with their current employer than they would be with a new one. In fact, while relatively few Social Security beneficiaries work, among those employed part time, more than half of women and a third of men had stayed with the same employer (Iams, 1987).

Many of those who would prefer to have a phased retirement do not have that opportunity, either because of unanticipated events, such as a disability or illness or a change in family responsibilities, or because of employers' preferences and pension rules that make such hours reductions impractical. This chapter discusses various institutional disincentives to work at older ages. It is divided into three sections: 1) the impact of Social Security regulations and pension policies on work activity; 2) the market for part-time jobs after retirement; and 3) age discrimination.

Social Security Regulations and Pension Plan Provisions

A worker is unlikely to postpone retirement, or to work after retirement, if it makes little or no financial sense to do so. Since private and public pension regulations and policies often disallow or penalize work past a certain age, persons who might work under different rules do not do so under those in effect. While Social Security regulations have been modified in recent years to eliminate some of the built-in disincentives to employment, private pensions have trended in the other direction, making early retirement increasingly attractive. How do such rules and regulations influence workers' decisions on whether or not and how much to work?

Social Security

By the late 1970's, it had become apparent that the Social Security system would be facing serious financial difficulties in the 1980's and beyond. Expenditures of the Old Age, Survivors, and Disability Insurance (OASDI) program had exceeded revenues since 1975. The program needed approximately $150–$200 billion to continue to be financially viable through the 1980's, and deficits over the next 75 years were estimated at 1.8 percent of taxable payrolls. A series of quick legislative measures (such as reallocation of Social Security program funds) were passed at the same time that broad reforms to improve the system were being developed. In 1982, the bipartisan National Committee on Social Security Reform provided recommendations for sweeping reforms. The resulting legislation—the Social Security Amendments of 1983—included several reforms designed to reduce disincentives to work and to encourage older persons to remain in the labor force (Svahn and Ross, 1983). How the current program works, what evidence of work disincentives exists, and long-term reforms to the program and their potential effects are discussed below.

How the current program works. Social Security benefits are a function of lifetime earnings. In determining benefits, annual earnings between 1951 and the year of retirement are averaged and adjusted for inflation to derive an Average Index of Monthly Earnings (AIME). A benefit formula is then applied to this AIME to determine an individual's full benefit amount—or Primary Insurance Amount (PIA). The percentage of the PIA that an individual actually receives depends on both age of retirement and, if he or she continues to work, current earnings (Social Security Administration, 1987).

Currently, individuals are eligible to receive full benefits (equal to 100 percent of PIA) at age 65—the "normal" retirement age defined in the Social Security program. Reduced benefits equal to 80 percent of the PIA are available at age 62. For every month after age 62 that receipt is deferred, the 20 percent early retirement penalty is reduced by 0.56 percent (or 6.67 percent per year) so that the full PIA level is earned at age 65. If an individual chooses to continue working beyond age 65, he or she receives a delayed retirement credit of 3 percent per year. For example, a person working (and deferring Social Security receipt) to age 68 could expect to receive benefits equal to 109 percent of his/her determired PIA.

Workers may earn up to a specified exempt amount before their Social Security benefits are reduced. Currently, Social Security recipients younger than age 65 can earn up to $6,120, after which their benefit amount is reduced by $1 for every $2 earned. Workers between ages 65 and 70 can earn $8,400 before being subject to benefit reductions. After age 70, the earnings test no longer applies (Social Security Administration, 1987).

Disincentives to work. Studies have been conducted that examine the extent to which these rules may limit the work activity of older persons. A recent study by Fields and Mitchell (1987) examined the benefit stream available to an "illustrative" worker at various retirement ages in 1982. The researchers found that, although the level of benefits increased for each year of additional work, gains from additional benefits were more than offset by the fewer number of years of benefit receipt. In fact, the present value of total future benefits for a person who continued working until age 68 was only 90 percent of that for a worker who retired at age 60. This "penalty" for retiring at 68 is largely the result of the 3-percent delayed retirement credit, which is far below the actuarially neutral level (the level at which the value of benefits for an average worker would be the same regardless of when he or she retires). Thus, they concluded, the current system provides incentives to retire before the age of 65 rather than after. Other studies (Hall and Johnson, 1980; Burkhauser, 1980) have found similar results.

The impact of the earnings test on work activity has also been widely examined. One study found that male Social Security beneficiaries in 1982 had median earnings of $4,391—just below the $4,400 earnings test level that year. Beneficiaries between ages 65 and 71, who could earn up to $6,000 before benefits were reduced,[13] consistently had higher earnings than recipients younger than age 65 (Iams, 1987). Median earnings for men ages 65 to 71 were $5,460. Also, Burtless and Moffitt (1985) found that workers kept postretirement hours to the level at which total earnings equaled the exempt amount. Such an avoidance of earnings in excess of the exempt amount is understandable. Not only would half of any excess earnings be lost through Social Security reductions, but earnings would also be subject to Federal, State, and local income taxes as well as Social Security withholdings. Another oft-cited effect of the earnings test is that it might entice some persons to work "under the table" who might otherwise have paid Social Security and income taxes on their earnings.

It is still not clear, however, to what extent Social Security encourages retirement or discourages continued work. In fact, some researchers believe that the method of calculating Social Security benefits may cause some workers to delay retirement. Because the most recent (and presumably highest) years of earnings are averaged in benefit computation, some researchers have concluded that workers may choose to work later, replacing low earnings years with higher ones and subsequently increasing their Social Security benefit (Blinder, Gordon, and Wise, 1980).

Changes in the program. The Social Security Amendments of 1983 contained several long-term provisions designed to remove work disincentives. These included the following (Svahn and Ross, 1983):

1) *An increase in the normal retirement age.* The retirement age at which beneficiaries are eligible to receive full benefits will increase by 2 months per year for persons reaching age 62 in 2000–2005, will remain at 66 for those reaching 62 between 2005 and 2016, and will increase by 2 months per year for persons reaching age 62 in 2017 to 2022. The normal retirement age will remain at 67 for those reaching age 62 after 2022.

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[13] In 1982, workers were subject to an earnings test until age 72. Currently, benefits are not reduced for earnings after age 70.

2) *An increase in the early retirement penalty.* Reduced benefits will continue to be available at age 62, but reduction factors will be revised to a maximum of 30 percent (for workers entitled at 62 when normal retirement age is 67) compared to the prior 20 percent.
3) *An increase in the delayed retirement credit.* The delayed retirement credit will increase by half a percentage point every other year from 3 percent for workers age 62 prior to 1987 to 8 percent per year for workers age 62 after 2004.
4) *A decrease in the withholding rate under the earnings test.* Beginning in 1990, the withholding rate will decrease from $1 of every $2 above the exempt amount for persons who attain full retirement age to $1 of every $3. Beginning in 2000, the age at which this occurs will increase as the normal retirement age increases.

Potential effects of the changes. Most analysts believe that changes in retirement ages as a result of this legislation may be very small. This is clear when the changes are dissected. For example, while earnings above the exempt amount will be subject to a one-third offset under the new law rather than the present one-half, those earnings are also subject to Federal, State, and local taxes and Social Security withholdings. Thus, the system still provides disincentives to exceed the exempt amount.

Gustman and Steinmeier (1985) studied the potential impact of 1983 reforms and concluded that "in comparison with the previous rules, the 1983 rules, when they take full effect, should have a fairly small impact on the number of people working full time and the number retired before age 65, but at age 65 and thereafter, the percentage of individuals working full time would be noticeably increased [largely due to the scheduled increase in the delayed retirement credit] and the percentages working part time and retired would both decline." In another study, Fields and Mitchell (1986) found that increasing the normal retirement age from 65 to 68 (although the legislation only raises it to age 67) could be expected to increase average retirement age by only 1.6 months. They also found that the largest increase (still only 3.1 months) occurred when the percentage of total benefits received at age 62 was reduced from 80 to 55 percent (the reforms only reduced the percentage to 70 percent) and the delayed retirement credit was increased to 20 percent (from the current 9 percent) at age 68.

Other Pensions

Another factor that would limit or completely offset the effectiveness of any changes in Social Security regulations is that retirement decisions are rarely based on Social Security benefit levels alone; they also depend, among other things, on preferences for leisure over work, on health status, and on other income sources. Though most workers can no longer be forced to retire because of their age, many other provisions in pension plans encourage workers to retire at specific ages, often well before the normal retirement age of 65 in the Social Security program. And, as Beck (1985) found, in general, it does not take large amounts of pension income to induce workers to retire.

Retirement provisions. While individuals are not eligible for full Social Security benefits before age 65, normal (full-benefit) retirement ages in private and other government pensions tend to be much earlier. In recent years, retirement programs have become increasingly liberal, allowing full benefits at earlier and earlier ages. Seventy-nine percent of pension plans surveyed by the Bureau of Labor Statistics in 1983 had no minimum retirement age or provided full benefits at age 62 or earlier, up from 55 percent in 1974. And 37 percent of those plans allowed for full-benefit retirement as early as age 55, usually with 30 years of service (Bell and Marclay, 1987).

Almost all private pensions surveyed by BLS in both 1974 and 1983 permitted early retirement, although at reduced benefits. Over the 1974–83 period, however, both age and years-of-service requirements for early retirement declined. In 1983, the length of service required for early retirement (with reduced benefits) at age 55 averaged 7 years and 2 months, down from 10 years and 3 months in 1974 (Bell and Marclay, 1987).

Individuals who opt for early retirement usually receive reduced benefits. However, reduction percentages are not always actuarially neutral; the greater number of years of pension receipt (due to early retirement) often more than offset any decline in benefits. Similarly, accrual beyond normal retirement age for those who delay retirement is often less than actuarially neutral and acts as a substantial disincentive to continued work.

Recently, several studies of pension plan incentives have been conducted. Fields and Mitchell (1984) examined 10 pension plans from the 1978 Benefits Amounts Survey and found that, in five, the present value of net pension benefits (for an "illustrative" worker) was greatest for workers retiring at age 60. Four of the 10 plans paid the highest benefits at age 61 or 62, and the remaining plan at age 66. Also, in a study of more than 2000 pension plans, Kotlikoff and Wise (1984) found that plan provisions strongly discouraged work after a normal retirement age, and some after an early retirement age. Continued work does provide additional earnings; however, the foregone pension benefits (as with deferred Social Security benefits) result in an implicit tax on earnings which may be as high as 100 percent (Kotlikoff and Wise, 1987).

Some pension provisions penalize continued work activity by ending pension accrual altogether. Although the Omnibus Budget Act of 1986, prohibited the denial of pension accrual for persons over age 65, caps are still permitted on years of service that may be counted toward a pension and on total benefit levels (Moore, 1988). These provisions effectively reduce compensation for persons who continue working after reaching either the maximum levels of credited service or pension benefits.

Combining pensions and Social Security. Not only do pension plans provide different options and retirement incentives than Social Security, but, in many cases, pension benefits are derived using a formula that accounts for Social Security benefits. Thus, changes in Social Security policy designed to alter work patterns may be undermined by the structure of pension plans.

A 1986 survey of employee benefits in medium and large-size firms found that 62 percent of all full-time participants in defined-benefit pension plans were in plans "integrated," or combined, with Social Security in some way (U.S. Bureau of Labor Statistics, 1987). Sixty-nine percent of the employees in these integrated plans had offset provisions; pension benefits were derived as a function of Social Security payments (usually pension levels were reduced by 50 percent of an individual's Social Security benefit). For example, workers with expected pension benefits of $8,000 and expected Social Security benefits of $2,000 would actually receive pension benefits of $7,000—that is, $8,000–(.50 x $2,000) in addition to their $2,000 Social Security benefit. In this way, public policy efforts to increase incentives to work by reducing benefits would be countered by a 50-percent increase in private benefits. A reduction of $1,000 in Social Security benefits, for example, would be countered by a $500 corresponding increase in pension benefits. Plans with excess formulas also recognize the structure of Social Security benefits and attempt to increase benefits to workers with higher earnings (whose Social Security benefits replace a smaller share of earnings). This is accomplished by applying higher benefit accrual percentages to earnings above a specified limit—usually equal to the Social Security taxable maximum (Bell and Hill, 1984).

Some retirees receive supplemental benefits to their pensions to compensate for retiring prior to eligibility for Social Security payments. A 1984 BLS survey of pension plans found that 11 percent of all plan participants could receive supplements upon early retirement. Ten percent were eligible for supplements on top of their full benefits if they retired "normally" before age 62—when they would become eligible for reduced Social Security benefits (Bell and Marclay, 1987). These supplemental payments are often equal to or greater than Social Security benefits. Each of these pension provisions which integrate Social Security and pension benefits may mitigate any changes in incentives that Social Security reforms are intended to produce.

Recently, researchers have begun to compare the incentive effects of Social Security and private pension provisions on individual retirement decisions. A study by Stock and Wise (1988) modeled the retirement behavior of employees in a large firm and found that increases in the firm's early retirement age would dramatically reduce the number of workers retiring by age 60. In contrast, the effects of changes in Social Security rules would be minimal. Also, the researchers concluded that "Changes in Social Security provisions that would otherwise encourage workers to continue working can easily be offset by countervailing changes in the provisions of the firm's pension plan."

Early Retirement Incentive Plans

Early withdrawal from the labor force has expanded with the increasing use of Early Retirement Incentive Plans (ERIP's). These allow workers to retire earlier than the normal terms of their pension plans would allow. Typically, ERIP's either liberalize the requirements for pension eligibility or provide employees with richer pension benefits.

Some also offer early retirees either a continuation or an improvement in medical coverage after their separation from service. ERIP's are typically offered for only a short period of time, after which the normal plan rules apply.

ERIP's, in many ways, are simply an extension of the trend toward early retirement made possible by pension plan provisions already discussed. The key issue related to ERIP's is whether they are truly voluntary: Do workers perceive turning down these offers as being a viable option? Are workers satisfied with the early retirement decision?

Two facts are critical to the discussion of ERIP's. First, no one knows how prevalent they are. The few surveys of employers conducted to date often are not representative samples of all employers, and often have low response rates; hence, the results of reporting firms may not reflect those of all firms.

Second, and probably the most important for policy considerations, it is difficult to distinguish between voluntary and involuntary separations that occur as a result of these plans. One study of ERIP's indicates that companies, workers, and unions have embraced them (Mutschler et al, 1984). At the same time, a study conducted for the Public Policy Institute of the American Association of Retired Persons (AARP) concludes that such plans are primarily "older worker termination programs" (Meier, 1986) and that neither the individuals involved nor the Nation's interests are well served by them.

The plans seem to be voluntary to the extent that available data show that the majority of eligible workers do not accept them. A study by Hewitt Associates (1986) indicates that, on average, about a third of workers accept ERIP's when offered. Some companies, though, have had far more workers accept these offers than they had expected, causing a damaging loss of experienced personnel. On the other hand, the numerous lawsuits related to these plans suggest that some older workers view them as forced retirement schemes (Fay, undated).

The Hewitt Associates' analysis of the prevalence of ERIP's is the most extensive to date. Of the 529 companies responding to their 1985 survey, a third reported that they had utilized *early retirement windows* (where the employee is given a specific period of time in which to decide whether to retire with the improved benefit package) or other types of voluntary separation plans. About 40 percent of the companies that had used ERIP's had offered them more than once. Plans were offered far more frequently by the largest firms than by smaller ones; over half of companies employing more than 25,000 persons had used them. And, as mentioned above, about a third of all eligible employees accepted these offers, although about 1 in 4 plans had acceptance rates of at least 75 percent.

Employees' views of such plans are difficult to interpret. The AARP report makes no mention of ERIP's as a welcome offer to many older workers who may view retirement quite positively. Yet substantial numbers of workers welcome the opportunity to retire earlier than "normal." In a survey of workers age 40 and over conducted for AARP by the Gallup Organization (AARP, 1986), 41 percent of all workers surveyed responded that they would be likely to accept incentive offers for early retirement. Affirmative responses were most common among workers with high levels of income and education.

Mutschler, Schultz, and Leavitt (1984) studied persons who had retired with and without special incentives from an unidentified Fortune 500 company. They found that employees clearly responded to the economic incentives of the ERIP's under study—the better the retirement package, the more likely workers were to accept it. Also, there was no evidence that those accepting the offer had suffered financially as a result (which would have indicated coercion); however, the authors did express some concern over the long-term effects of inflation on the value of retirees' pensions. Other than this study, little is known about the conditions under which workers accept ERIP's and the outcomes of that decision.

As with unemployment, the hazy distinction between voluntary and involuntary retirement makes analysis of a key labor force issue difficult. The voluntary nature of ERIP's may not even be a static concept. An individual who had positive views about accepting an "early out" at the time of the offer may have a very negative view after the fact, or vice versa. While it certainly is possible to better quantify the use of ERIP's than has been done so far, to evaluate the effect of these programs on workers' financial and nonfinancial well-being would be far more complicated.

In summary, the incentives in Social Security and private pension policies do not always operate in the same direction. Changes in Social Security rules passed in 1983 were designed to increase work incentives for older persons, although most analysts expect them to have only a minor impact on retirement ages. This is largely because the changes themselves do not dramatically alter the basic incentive structure of Social Security. In any case, any changes in Social Security regulations may be offset by pension plan provisions that encourage retirement or penalize continued work activity. It is unclear exactly what long-term impact Social Security reforms will have on the work activity of older persons; however, it is clear that private pensions have not followed Social Security's lead in encouraging later retirement. While pension policies that allow retirement well before age 65 are undoubtedly attractive to many older workers, those who might prefer to continue to work part time often do not or cannot. Some reasons for this are discussed in the next section.

The Market for Part-Time Jobs

Many observers have noted that older workers are often faced with a choice of whether to continue full time in a long-held job or to completely withdraw from the labor force; the majority reject part-time employment, which usually pays low wages and provides very few benefits. Whether or not part-time work by older persons will become more common in the future depends on many diverse factors, including pension and Social Security regulations that determine levels of nonwage income and place restrictions on employment; the characteristics of part-time jobs; and the preference for leisure over work at older ages.

Relatively few older persons work after beginning to receive retirement benefits, and those who do usually have very low levels of nonwage retirement income (McConnell, 1980). Many older men, however, despite very small pension benefit levels, still do not seek employment (Beck, 1985). According to data from the Social Security New Beneficiary Survey, fewer than 1 in 4 persons was employed at all 18 months to 2 years after first receiving retired-worker benefits (Iams, 1987). Also, as pointed out in an earlier section on discouragement, among those who are *not* in the labor force, 95 percent respond to the CPS that they "do not want a job now, either full or part time."

Does this low level of work activity beyond retirement mean that older persons simply do not want to work, or is it a reflection of poor employment options? While the preference for leisure over work is very strong for many older persons, it is also possible that many say they do not want to work because they see only very limited choices. As discussed previously, substantial institutional barriers—especially the Social Security earnings test—provide strong disincentives to full-time work at later ages. And pension provisions often make continued work for one's employer unjustifiable. Older workers, then, are often funnelled into the part-time job market, where options are frequently limited to low-paid employment. The solution, many argue, would be to expand opportunities for part-time work to include jobs that are well paid and provide nonwage benefits (McConnell et al, 1980; Kahne, 1985).

There is little doubt that part-time work done by older workers is usually low paid. Researchers have found that hourly wages tend to decline about 30 to 40 percent when hours are reduced from 35 to 20 (Jondrow et al, 1987). However, low pay is not necessarily evidence of age discrimination. In fact, Jondrow found that "...the scarcity of well-paid part-time jobs is not a matter of discrimination against older workers; such jobs are scarce throughout the economy (p. 96)."

A primary reason for the scarcity of well-paying part-time jobs is the high cost of such schedules to employers. Training costs, for example, are largely identical for full-and part-time workers, as are many administrative costs. A short workweek raises the hourly costs to employers for such expenses. In contrast, jobs that generally require little training do not significantly raise the costs to employers of offering part-time schedules, especially if the benefit packages are more limited than those given full-time workers. These jobs, by their nature, are usually low skilled and provide low pay.

Whether such a restrictive market for part-time jobs for older persons is the only possible scenario is still open to question. Hilda Kahne (1985), in her book Reconceiving Part-Time Work, distinguishes between "New Concept" part-time work and "Old Concept" work. The latter was described above—work at very low pay rates, often in low-wage industries, and with few benefits. The former, Kahne envisions, would be work done in the full range of industries and occupations and would generally provide pro-rated full-time wages and benefits. Kahne presents a convincing argument for the potential interest for such employment from the older workers' point of view; however, she does less to explain how such jobs make sense for employers, particularly those not facing labor shortages. For now, at least, it appears that such "New Concept" job market offers lag behind workers' desire for them.

As the younger population has declined and the growth rate in the female labor force has slowed (Fullerton, 1987), some service-sector employers have begun to target jobs to older workers. Such employment will be attractive to a narrow range of elderly persons, however, as it is typically part-time work with few fringe benefits. While widespread worker shortages may occur in the future (see, for example, Olson, 1981), their effect on employment opportunities for older workers is difficult to predict, particularly in the context of today's institutional structures that strongly favor early retirement.

Age Discrimination

When any group's labor market experiences are found to be inferior to another's, the issue of discrimination is always a subject for discussion. However, discrimination is one of the most difficult labor market influences to identify and quantify. This is because it is difficult to discern whether between-group differences in earnings or unemployment, for example, are the result of discrimination or of real differences in productivity or labor market goals. These measurement problems have limited the amount of research conducted on age discrimination in employment. Yet, if asked, virtually everyone would suggest that discrimination does take place in the job market—that hiring, training, and promotion decisions involving older persons are not entirely age, sex, and race neutral.

Regarding the earnings of older workers, Wanner and McDonald (1983), using NLS data for mature men, found that as the men in the sample aged between 1966 and 1976 (and gained tenure and experience), they had a substantial decline (in real terms) in earnings. This occurred during a period of sizable increases in earnings among all workers. The poor earnings performance among older workers was determined to be unrelated to any decrease that might have been associated with job changing. The authors identified three theoretical explanations for this. First, human capital theorists in economics would attribute the lower earnings of older workers primarily to lower productivity, perhaps related to skill obsolescence and employers' reluctance to invest in the upgrading of those skills. This would seem reasonable, given the relatively short payoff time for such an investment. Second, equity theorists in sociology argue that wages reflect not only productivity, but also need, and that declining wages at older ages describe a legitimate lifetime earnings profile. Workers' preferences for increased leisure (largely associated with declining financial need) may partly explain the earnings profiles of older workers found by Wanner and McDonald. Although their methodology accounts for reductions in the number of weeks worked, by their own admission, they may have missed some of the hours effect, such as by not incorporating older workers' lower propensity to accept overtime work.

Wanner and McDonald prefer a third explanation: Employers assume that older workers will accept lower levels of salary increases, or fewer of them, because older persons' ability to find comparable alternative employment is quite low. Certainly, human capital theorists would agree that workers accumulate extensive firm-specific human capital for which a new employer would be unwilling to compensate them. McConnell (1983), in his assessment of age discrimination, also highlights this decline in leverage for older workers brought about by their high cost of job switching.

In examining the wage decline for workers who were forced to look for a new job, Shapiro and Sandell (1985), also using NLS data for older men, found little evidence of discrimination. In fact, they determined that about 90 percent of any loss in earnings in workers' new jobs reflected a loss of their firm-specific human capital. While this is a real and important earnings loss for many workers, it cannot be said that such earnings declines are the result of unfair practices by employers, who would not be expected to pay for skills, knowledge, or experience that are not specifically transferable to a new job.

It is interesting to examine workers' own perceptions of discrimination. In the previously mentioned survey conducted by the Gallup Organization in 1985 (AARP, 1986), a sample of workers age 40 and over was asked whether they had experienced age discrimination. Only about 6 percent answered in the affirmative, most of whom said that they had been denied a promotion or a chance to get ahead because of their age. The perception of age discrimination increased with age—4 percent of workers in their forties felt that they had experienced age discrimination, compared with 10 percent of those age 63 and over. It is not clear whether the greater affirmative response for the older group represents increased discrimination with age (though it seems reasonable that this would be the case) or whether it is because they had more years in which they could have been the victims of discrimination. A shortcoming of this survey, and most others, is that respondents are employed persons only; thus, those who may be unemployed or out of the labor force who have been victims of age discrimination are not included. These may be the groups of older persons who have been most hurt by discriminatory employment practices.

Further insight into age bias comes from employers' perceptions of older workers. Rosen and Jerdee (1985) found that many managers exhibited age discrimination in their personnel decisions. They asked 6,000 readers of Harvard Business Review (most of whom were in management positions) to make management decisions in seven hypothetical cases. In half of the respondents' questionnaires, the worker in question was a younger person; in the other half, an older one. Except for the age of the workers, the scenarios were identical. In the almost 1,600 returned survey forms, respondents consistently made different hiring, promotion, discipline, and training decisions based on the stated age of the worker in question. Yet in a final set of questions, respondents indicated a very high level of support for nondiscriminatory business practices. Interestingly, respondents age 50 and over were consistently more supportive of the older worker than were younger respondents, from which the authors concluded that an older worker's best prospect for fair treatment appeared to be working for an older supervisor.

The above research and other similar work suggest that age discrimination may exist among persons who make decisions about older workers' employment and advancement opportunities. Nevertheless, relatively few older workers say that they have been the victims of age discrimination. Few older workers find themselves looking for a job, where they would be most exposed to discrimination. Also, their high levels of experience on the job may provide many older workers with the skills and abilities that keep them from being marginal employees. Researchers indicate, however, that it is the poor performer who is most likely to perceive discrimination. In addition, the promotion expectations (or desires) of some workers may decline with age, often due to a desire to stay in a "comfort zone" toward the end of a career.

CHAPTER 4.

Conclusions

One of the most important findings of this report is that comparing the incidence of job market problems for labor force groups with very different options, financial requirements, and motivations may be more complex than is often recognized. Most research on the labor market problems of older workers has come to the same conclusions: 1) older workers are less likely than younger ones to lose their jobs, and 2) when they do, it takes older persons considerably longer to find a job. While these outcomes are plausible, research for this report suggests that older workers may not be as protected from job loss as is often assumed, or is often inferred from their very low unemployment rates.

The analysis of many measures of labor market problems is complicated by the fact that some older workers follow job loss or an unsuccessful job search by retiring. As a result, unemployment rates understate older workers' job market difficulties; many older job losers, for instance, never become unemployed. Also, data on duration of unemployment may not accurately portray the difficulties older persons have in finding work. That is not to say that those older job losers who do have the option of retiring are hurt less than others by job loss. Earnings loss, for many, maybe even most, has serious long-term financial consequences, and retirement after losing a job may simply be a socially acceptable alternative to an extended period of unemployment.

Over the past 2 years, there has been an explosion of interest in the data problems related to older persons, especially those related to social, economic, and health issues. The Interagency Forum on Aging-Related Statistics—composed of Federal agencies with an interest in the area—has been active in assessing data needs and planning strategies for meeting these needs. High on the agenda has been the expansion of longitudinal data on the elderly. The importance of such data can only increase as the baby-boom generation approaches retirement .

Another major finding of this report is that labor supply factors may be more important in explaining labor market differences between groups than they are usually credited for. Whenever a labor market measure, such as earnings or unemployment, indicates that one group is better off than another, demand issues—discrimination, in particular—are often offered as the reason for those differences. This is not to say that age bias is not a deterrent to the employment of some older workers—it certainly is. However, the fact that many healthy older persons may be happy not working is often overlooked: many retirees are firm in their preference for leisure over earnings. For those who may prefer to work, however, pension rules or job market realities severely limit their options and opportunities.

Institutional barriers to employment. Many retirements that appear on the surface to be purely voluntary probably occur among individuals who would have preferred to continue working. Often, workers express preferences for continued employment after they retire. Yet, when the time comes, the majority go directly from full-time, career employment into complete retirement, without any phase-out period. Most who do enter the part-time job market quickly find that their value to employers has been eroded to the point where employment is not a viable option.

Such a paucity of acceptable part-time job opportunities is not necessarily the result of age discrimination; part-time jobs tend to pay low wages for everybody. Employers are reluctant to offer part-time opportunities in many jobs, particularly those at higher levels, because administrative and training costs often make it expensive, on an hourly basis, to hire part-time help. As a result, jobs for which part-time opportunities are readily available tend to be those that require little training. Most often, these are low-skill jobs that tend to pay low wages.

The worst "pay cut" occurs when a worker looks for a job in a different occupation than the one from which he or she retired. In that case, an employer might offer little or no more than an entry level wage, because the individual is, indeed, a new entrant to the occupation. Even if an employer did place some value on the older person's past experience, the upper limit of wages in most part-time jobs is well below those in full-time ones.

The best scenario, then, for older workers who wish to stay employed is continuing with their long-term employers (or at least in their same occupations), to whom they would retain the highest value. In fact, workers near retirement age say that they would prefer to have a phased retirement, particularly with their current employer (Jondrow, 1987). This rarely happens, however, for many reasons. Workers who continue to work beyond the age at which they could retire often pay a steep price for that work. Historically, private pension plans allowed for no additional accrual of pension benefits beyond a certain age. While recent changes in pension law prohibit that practice, other provisions still allow for workers to be penalized for continued employment.

Also, Social Security regulations provide a very small additional benefit for those who choose to defer receipt until after age 65; at present, the delayed retirement credit is only 3 percent for each year of work after age 65. While the 1983 Social Security Amendments will raise that credit in future years, eventually to 8 percent, such an increase does not apply to those currently making retirement decisions.

If workers choose to receive Social Security benefits and to continue working, they typically will keep earnings below the exempt amount—beyond which benefits are reduced one dollar for every two dollars earned. That threshold is currently $6,120 for beneficiaries ages 62 to 64 and $8,400 for those ages 65 to 70. Such an offset, coupled with taxes on that income, makes it unreasonable for most workers to continue in their full-time jobs while receiving Social Security retirement benefits. Thus, those who wish to continue to work generally must choose whether to keep working full time and defer their Social Security benefits (and, hence, have the present value of those benefits decline each year), or to receive benefits and be limited in the amount they can earn.

Conflicting attitudes toward work and retirement. No consensus now exists among the Federal Government, private employers, and workers on a need to push up the normal age of retirement. However, two key actions intended to enable workers to extend their worklives have been taken in recent years. The Age Discrimination in Employment Act now forbids the forced retirement of workers in most occupations at any age. Also, because of both short-and long-term problems in funding the Social Security retirement trust fund, the 1983 Amendments to the Social Security Act increased the penalties for those who retire early and decreased penalties for those who choose to continue working. Some of these changes, however, will be phased in over several decades. In fact, in the near future, neither legislative effort is expected to have a substantial effect on workers' retirement patterns.

Other reasons besides pension funding issues have been cited as justification for older retirement ages. An often-used rationale for raising retirement ages is that, since people are living longer, they are healthier and thus better able to work more years. Yet that conclusion may be inaccurate; people are living longer, but they may not be healthier.

Such an increase in lifespan may be associated with longer periods of chronic illness and dependency rather than additional years of well being and independent functioning (National Research Council, 1988).

Some prominent participants in the retirement-age discussion believe that the decline in work activity among older persons is innately bad because it relegates older persons to an unfulfilling retirement with negative consequences for both physical and mental health. This view does not reflect the preferences of the millions of Americans who are presently looking forward to retiring from what is often, for this generation, physically demanding work. Having a fair opportunity to continue in meaningful employment is quite different from being penalized for not doing so.

Looking ahead. Over the last few years, retirement ages seem to have stabilized, or edged up slightly (Moen, 1988). Such a pause in the long-term downtrend is not unusual during an extended period of economic expansion. It is too early to predict with confidence that retirement ages will soon begin to rise. Changes in the benefit structure of Social Security will have only a minor impact on retirement ages if employers and employees continue to prefer earlier retirement ages.

Over the next few decades, several factors might lead to both expanded demand for older workers and increased desire by older persons to continue on the job. Most importantly, the changing demographic makeup of the population will restrict the supply of labor; labor force growth is projected to expand at only half the rate during the 1986–2000 period that it did in the prior 14 years (Fullerton, 1987). Perhaps more and more employers will follow the lead of those few who have already developed programs designed to provide attractive, often innovative, work options for retirement-age workers.[14]

In addition, with each successive generation of older workers, fewer will have worked in physically demanding jobs and more will have the educational background, particularly a college education, that will allow them more flexibility in the job market. Such profiles generally are associated with relatively high participation rates and late retirement.

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[14] It is often argued that such improved employment offers in response to labor shortages will serve to raise older workers' labor force participation rates. This may be the case in the short run. In the long run, however, the opposite might occur. Employers faced with labor shortages must compete for a full age-range of workers, not just older ones. They do that by making the employment package more attractive, generally through higher wages or improved benefits. One of the benefits that might prove attractive to younger workers would be better pension benefits, which would eventually lead to even earlier pension receipt.

The factor that will most strongly influence the job market for older workers is the overall pace of economic expansion, which directly affects job creation and unemployment. If employers need older workers, they will create ways to both attract and retain them. Today, clearly, employers' perceptions are often that older workers' early retirement is an attractive way to make work force adjustments, perhaps even avoiding layoffs, and to cut labor costs. In that environment, older persons may be pushed from their jobs. Some will have adequate financial resources, while others will be in a more precarious situation.

Appendix: Method for Estimating Duration of Unemployment from CPS Gross Flows Data

The probability of leaving, or escaping, unemployment is the sum of the probabilities of going from unemployment to employment and from unemployment to not in the labor force:

$$pESC = \frac{UE + UN}{U(t-1)},$$

where pESC is the probability of escape, UE and UN are the probabilities of going from unemployed (U) to employed (E) and not in labor force (N), respectively, between months t-1 and t, and U(t-1) is the number of unemployed persons in the previous month. The expected duration of a completed spell of unemployment is the reciprocal of the probability of escape:

$$E(D) = 1/pESC,$$

where E(D) is the expected duration of a completed spell of unemployment (Rones, 1983; and Bowers, 1980). This technique assumes that unemployed persons, regardless of their current length of joblessness, have the same probability of escape—that is, the probability of escape is independent of duration.

The estimates computed from the above formula are based on monthly escape probabilities. A calculation of a completed spell in *weeks* would be:

$$E(D) = \frac{1}{pESC} \times 4.3,$$

where 4.3 is the number of weeks in the average month.

The equation for the calculations for the expected duration of a successfully completed spell of unemployment is:

$$E(D) = \frac{pUE + pUU}{pUE} \times 4.3$$

The equation removes UN from the numerator and the denominator.

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